



# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## General Information

---

### Legal form of entity

Municipality in terms of section 1 of the Local Government: Municipal Structures Act (Act no. 117 of 1998) read with section 155 (1) of the Constitution of the Republic of South Africa (Act no. 108 of 1996)

### Nature of business and principal activities

Langeberg Municipality is a local municipality performing the functions as set out in the Constitution (Act no 105 of 1996). South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act (Act no 117 of 1998). Demarcation code : WC026

Executive Mayor

HM Jansen

Deputy Executive Mayor

GB Joubert

Speaker

SW van Eeden

### Members of the Executive Committee

Executive Mayor

HM Jansen

Deputy Executive Mayor

GD Joubert

Speaker

SW van Eeden

Executive Councillors

JB Burger

Councillors

DB Janse

EMJ Scheffers

SW Strauss

NJ Beginsel

E Bosjan

JD Burger

S Du Plessis

CJ Grootboom

P Hess

DB Janse

HM Jansen

JJS Januarie

GD Joubert

J Kriel

DJW Kuhn

JS Mafilika

H Mangenengene

BH Nteta

EMJ Scheffers

AJ Shibili

OC Simpson

SW Strauss

LM Swanepoel

SW van Eden

TM van der Merwe

JDF van Zyl

Accounting Officer

SA Mokweni

Acting Chief Financial Officer

M Shude

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## General Information

---

<b>Registered office</b>	28 Main Road Ashton 6715
<b>Bankers</b>	ABSA
<b>Auditors</b>	Auditor-General of South Africa
<b>Attorneys</b>	Van Niekerk & Linde Attorneys Van Zyl & Hofmeyer Attorneys De Klerk van Gend Attorneys
<b>Published</b>	30 October 2020
<b>Legislation governing the municipality's operations</b>	Basic Conditions of Employment Act (Act no 75 of 1997) Collective Agreements (Act no 66 of 1995) Disaster Management Act (Act no 57 of 2002) Division of Revenue Act (Act no 1 of 2005) Electricity Act (Act no 41 of 1987) Employment Equity Act (Act no 55 of 1998) Housing Act (Act no 107 of 1997) Municipal Budget and Reporting Regulations, 2009 Municipal Finance Management Act (Act no 56 of 2003) Municipal Planning and Performance Management Regulations, 2006 Municipal Property Rates Act (Act no 6 of 2004) Municipal Regulations on Standard Chart of Accounts Municipal Structures Act (Act no 117 of 1998) Municipal Systems Act (Act no 32 of 2000) Municipal Systems Amendment Act (Act no 7 of 2011) SALGBC Leave Regulations, 2019 Skills Development Levies Act (Act no 9 of 1999) Supply Chain Management Regulations, 2005 Income Tax Act (Act 58 of 1962) Unemployment Insurance Act (Act no 30 of 1966) Value Added Tax Act (Act no 89 of 1991) Water Services Act (Act no 108 of 1997)

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Index

---

The reports and statements set out below comprise the annual financial statements presented to the council:

	<b>Page</b>
Accounting Officer's Responsibilities and Approval	4
Statement of Financial Position	5
Statement of Financial Performance	6
Statement of Changes in Net Assets	7
Cash Flow Statement	8
Statement of Comparison of Budget and Actual Amounts	9 - 13
Accounting Policies	14 - 52
Notes to the Annual Financial Statements	53 - 124

ASB	Accounting Standards Board
CDWM	Cape Winelands District Municipality
COGTA	Co-operative Governance and Traditional Affairs
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
DSCAR	Department of Sport, Arts, Culture and Recreation
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
IPSAS	International Public Sector Accounting Standards
IPSASB	International Public Sector Accounting Standards Board
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
SALGA	South African Local Government Association

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## **Accounting Officer's Responsibilities and Approval**

---

I am responsible for the preparation of these annual financial statements year ended 30 June 2020, which are set out on pages 5 - 125 in terms of Section 126 (1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any Interpretations, Guidelines and Directives issued by the Accounting Standards Board (ASB).

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

I have reviewed the Municipality's cash flow forecast for the year to 30 June 2021 and am satisfied that the Municipality can continue in operational existence for the foreseeable future.

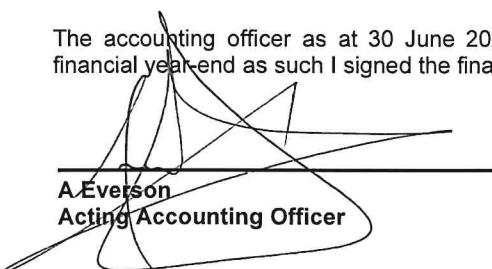
The external auditors are responsible for independently reviewing and reporting on the Municipality's financial statements.

I certify that the remuneration of Councillors and in-kind benefits are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

In terms of Section 13(g), read with regulation 12 of the B-BBEE regulations, all spheres of government, public entities and organs of state must report on their compliance with broad-based black economic empowerment in their audited annual financial statements and chapter 1 of the annual reports. Please refer to note 65.

The annual financial statements set out on pages 5 - 125 which have been prepared on the going concern basis.

The accounting officer as at 30 June 2020 was SA Mokweni as indicated in the general information. He retired after the financial year-end as such I signed the financial statements as the Acting Accounting Officer.



A. Everson  
Acting Accounting Officer

Ashton

Friday, 30 October 2020

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Statement of Financial Position as at 30 June 2020

Figures in Rand	Note(s)	2020	2019 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	2	40,895,223	26,789,164
Operating lease asset	3	108,595	97,014
Receivables from exchange transactions	4&5	63,026,560	45,189,774
Receivables from non-exchange transactions	6&7	15,522,838	10,235,965
VAT receivable	8	1,518,864	1,470,581
Cash and cash equivalents	9	200,973,607	154,703,659
		<b>322,045,687</b>	<b>238,486,157</b>
<b>Non-Current Assets</b>			
Investment property	10	28,040,106	28,586,421
Property, plant and equipment	11	748,822,140	710,103,881
Intangible assets	12	1,017,125	1,017,125
Heritage assets	13	275,448	275,448
Other financial assets (investments)	14	72,499	118,944
Receivables from exchange transactions	4&5	255,168	390,039
Receivables from non-exchange transactions	7&6	341,803	561,269
		<b>778,824,289</b>	<b>741,053,127</b>
<b>Total Assets</b>		<b>1,100,869,976</b>	<b>979,539,284</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Long-term borrowings	15	4,063,951	2,383,586
Finance lease obligation	16	964,664	815,495
Payables from exchange transactions	17	77,506,366	70,261,074
Consumer deposits	18	12,726,209	12,524,220
Employee benefit obligation	19	22,022,820	18,258,556
Unspent conditional grants and receipts	20	6,642,626	6,236,251
Provisions	21	21,053,680	15,327,335
		<b>144,980,316</b>	<b>125,806,517</b>
<b>Non-Current Liabilities</b>			
Long-term borrowings	15	39,782,572	11,456,958
Finance lease obligation	16	833,141	1,403,851
Employee benefit obligation	19	53,274,861	58,346,870
Provisions	21	45,336,286	44,960,495
		<b>139,226,860</b>	<b>116,168,174</b>
<b>Total Liabilities</b>		<b>284,207,176</b>	<b>241,974,691</b>
<b>Net Assets</b>			
Reserves			
Capital replacement reserve	22	62,921,000	62,921,000
Accumulated surplus		753,741,800	674,643,593
<b>Total Net Assets</b>		<b>816,662,800</b>	<b>737,564,593</b>

\* See Note 56

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Statement of Financial Performance

Figures in Rand	Note(s)	2020	2019 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	23	521,213,436	461,658,832
Rental of facilities and equipment	24	2,762,518	3,163,209
Agency services	25	3,834,776	4,144,683
Operational revenue	26	1,589,849	7,268,468
Licences and permits	27	841,971	1,453,968
Sales of goods and rendering of services	28	5,929,764	9,850,225
Interest received	29	15,348,823	15,275,944
Gain on disposal of assets	30	423,487	1,420,265
Reversal of write-down of inventory to NRV	2	-	30,438
<b>Total revenue from exchange transactions</b>		<b>551,944,624</b>	<b>504,266,032</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	31	56,956,651	52,679,495
Interest and dividends	32	534,734	561,515
<b>Transfer revenue</b>			
Government grants and subsidies	33	143,892,587	160,815,447
Fines, penalties and forfeits	34	7,113,588	5,476,744
<b>Total revenue from non-exchange transactions</b>		<b>208,497,560</b>	<b>219,533,201</b>
<b>Total revenue</b>		<b>760,442,184</b>	<b>723,799,233</b>
<b>Expenditure</b>			
Employee related costs	35	(194,952,107)	(183,497,424)
Remuneration of councillors	36	(11,017,973)	(10,537,991)
Depreciation and amortisation	37	(29,379,130)	(24,639,084)
(Impairment of assets) / reversal of impairment	38	(10,167,229)	(2,926,194)
Finance costs	39	(5,436,397)	(6,278,359)
Bad debts written off	40	(4,124,938)	(18,663,913)
Bulk purchases	41	(342,704,763)	(292,999,544)
Contracted services	42	(26,155,231)	(23,462,326)
Transfers and subsidies	43	(3,124,532)	(1,765,020)
Loss on fair value adjustments	44	(43,104)	(13,353)
Inventories losses / write-down to net realisable value	2	(53,309)	-
Inventory consumed	45	(15,920,273)	(18,176,816)
Operational costs	46	(38,264,989)	(40,195,261)
<b>Total expenditure</b>		<b>(681,343,975)</b>	<b>(623,155,285)</b>
<b>Surplus for the year</b>		<b>79,098,209</b>	<b>100,643,948</b>

\* See Note 56

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Statement of Changes in Net Assets

Figures in Rand	Capitalisation reserve	Accumulated surplus	Total net assets
Opening balance as previously reported	56,421,002	583,278,343	639,699,345
Adjustments			
Transfer	6,499,998	(6,499,998)	-
Prior year adjustments (refer to note 53)	-	(2,778,700)	(2,778,700)
<b>Balance at 01 July 2018 as restated*</b>	<b>62,921,000</b>	<b>573,999,645</b>	<b>636,920,645</b>
Changes in net assets			
Surplus for the year		100,643,948	100,643,948
Total changes		100,643,948	100,643,948
<b>Restated* Balance at 01 July 2019</b>	<b>62,921,000</b>	<b>674,643,591</b>	<b>737,564,591</b>
Changes in net assets			
Surplus for the year		79,098,209	79,098,209
Total changes		79,098,209	79,098,209
<b>Balance at 30 June 2020</b>	<b>62,921,000</b>	<b>753,741,800</b>	<b>816,662,800</b>

Note(s)

22

\* See Note 56

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Cash Flow Statement

Figures in Rand	Note(s)	2020	2019 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Taxation		51,435,345	41,032,995
Service charges		502,530,207	442,481,409
Sale of goods and services		16,806,934	22,495,215
Dividends		1,658	2,623
Grants		142,370,472	160,815,448
Interest income		13,267,134	13,101,220
		<b>726,411,750</b>	<b>679,928,910</b>
<b>Payments</b>			
Employees		(208,307,107)	(194,141,712)
Transfers and grants		(3,124,531)	(1,765,021)
Suppliers		(427,002,459)	(381,019,331)
Finance costs		(1,639,586)	(1,499,785)
		<b>(640,073,683)</b>	<b>(578,425,849)</b>
<b>Net cash flows from operating activities</b>	<b>49</b>	<b>86,338,067</b>	<b>101,503,061</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	11	(69,068,368)	(94,270,424)
Purchase of investment property	10	-	(201,841)
Proceeds from sale of investment property	10	-	18,000
Purchase of other intangible assets	12	-	(112,000)
Purchases of heritage assets	13	-	(15,448)
Decrease/(increase) in other financial assets	14	3,341	-
<b>Net cash flows from investing activities</b>		<b>(69,065,027)</b>	<b>(94,581,713)</b>
<b>Cash flows from financing activities</b>			
Increase in long term borrowings		35,000,000	-
Increase / (decrease) in consumer deposits		201,989	1,437,348
Repayment of borrowings		(4,994,021)	(2,393,263)
Finance lease payments		(1,211,060)	(396,606)
<b>Net cash flows from financing activities</b>		<b>28,996,908</b>	<b>(1,352,521)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>46,269,948</b>	<b>5,568,827</b>
Cash and cash equivalents at the beginning of the year		154,703,659	149,134,832
<b>Cash and cash equivalents at the end of the year</b>	<b>9</b>	<b>200,973,607</b>	<b>154,703,659</b>

\* See Note 56

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of financial performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	565,360,660	(72,182,196)	<b>493,178,464</b>	521,213,436	<b>28,034,972</b>	
Rental of facilities and equipment	3,541,510	(231,839)	<b>3,309,671</b>	2,762,518	(547,153)	71
Agency services	5,596,790	(366,177)	<b>5,230,613</b>	3,834,776	(1,395,837)	71
Operational revenue	2,894,000	(156,836)	<b>2,737,164</b>	1,589,849	(1,147,315)	71
Licences and permits	1,127,070	(730,244)	<b>396,826</b>	841,971	445,145	71
Sales of goods and rendering of services	9,474,730	2,069,468	<b>11,544,198</b>	5,929,764	(5,614,434)	71
Interest received	12,662,290	(800,700)	<b>11,861,590</b>	15,348,823	3,487,233	71
Gains on disposal of assets	-	-	-	423,487	<b>423,487</b>	
<b>Total revenue from exchange transactions</b>	<b>600,657,050</b>	<b>(72,398,524)</b>	<b>528,258,526</b>	<b>551,944,624</b>	<b>23,686,098</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	62,249,600	(4,887,040)	<b>57,362,560</b>	56,956,651	(405,909)	
Interest and dividends	841,540	(55,074)	<b>786,466</b>	534,734	(251,732)	
<b>Transfer revenue</b>						
Government grants and subsidies - operational	135,972,300	(14,075,999)	<b>121,896,301</b>	111,885,738	(10,010,563)	
Fines, penalties and forfeits	4,300,750	(281,382)	<b>4,019,368</b>	7,113,588	3,094,220	71
Government grants and subsidies - capital	26,528,700	7,322,441	<b>33,851,141</b>	32,006,849	(1,844,292)	
Gains on disposal of PPE	1,596,970	(104,530)	<b>1,492,440</b>	-	(1,492,440)	
<b>Total revenue from non-exchange transactions</b>	<b>231,489,860</b>	<b>(12,081,584)</b>	<b>219,408,276</b>	<b>208,497,560</b>	<b>(10,910,716)</b>	
<b>Total revenue</b>	<b>832,146,910</b>	<b>(84,480,108)</b>	<b>747,666,802</b>	<b>760,442,184</b>	<b>12,775,382</b>	
<b>Expenditure</b>						
Employee costs	(223,216,250)	17,248,719	<b>(205,967,531)</b>	(194,952,107)	<b>11,015,424</b>	
Remuneration of councillors	(11,987,050)	760,943	<b>(11,226,107)</b>	(11,017,973)	<b>208,134</b>	
Depreciation and amortisation	(24,598,910)	(4,861,631)	<b>(29,460,541)</b>	(29,379,130)	<b>81,411</b>	
Impairment of assets / (reversal of impairment)	(7,150,560)	-	<b>(7,150,560)</b>	(10,167,229)	(3,016,669)	
Finance costs	(5,797,070)	752,984	<b>(5,044,086)</b>	(5,436,397)	(392,311)	
Lease rentals on operating lease	(6,360)	360	<b>(6,000)</b>	-	<b>6,000</b>	
Bad debts written off	(6,346,270)	440,520	<b>(5,905,750)</b>	(4,124,938)	<b>1,780,812</b>	
Bulk purchases	(352,985,440)	18,157,782	<b>(334,827,658)</b>	(342,704,763)	(7,877,105)	
Contracted services	(82,942,230)	14,313,371	<b>(68,628,859)</b>	(26,155,231)	<b>42,473,628</b>	71
Transfers and subsidies	(3,718,950)	(905,052)	<b>(4,624,002)</b>	(3,124,532)	<b>1,499,470</b>	
Inventory consumed	(24,215,020)	2,156,273	<b>(22,058,747)</b>	(15,920,273)	<b>6,138,474</b>	71
Operational costs	(50,693,550)	(252,355)	<b>(50,945,905)</b>	(38,264,989)	<b>12,680,916</b>	71
<b>Total expenditure</b>	<b>(793,657,660)</b>	<b>47,811,914</b>	<b>(745,845,746)</b>	<b>(681,247,562)</b>	<b>64,598,184</b>	

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Operating surplus</b>	<b>38,489,250</b>	<b>(36,668,194)</b>	<b>1,821,056</b>	<b>79,194,622</b>	<b>77,373,566</b>	
Fair value adjustments	-	-	-	(43,104)	(43,104)	
Inventories losses/write-downs	-	-	-	(53,309)	(53,309)	
	-	-	-	(96,413)	(96,413)	
<b>Surplus before taxation</b>	<b>38,489,250</b>	<b>(36,668,194)</b>	<b>1,821,056</b>	<b>79,098,209</b>	<b>77,277,153</b>	
<b>Actual amount on comparable basis as presented in the budget and actual comparative statement</b>	<b>38,489,250</b>	<b>(36,668,194)</b>	<b>1,821,056</b>	<b>79,098,209</b>	<b>77,277,153</b>	

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of financial position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Inventories	25,432,330	1,925,935	<b>27,358,265</b>	40,895,223	<b>13,536,958</b>	71
Operating lease asset	97,015	4,585	<b>101,600</b>	108,595	<b>6,995</b>	
Receivables from exchange transactions	36,453,805	15,514,935	<b>51,968,740</b>	63,026,560	<b>11,057,820</b>	71
Receivables from non-exchange transactions	13,621,801	(6,704,462)	<b>6,917,339</b>	15,522,838	<b>8,605,499</b>	
VAT receivable	1,407,801	-	<b>1,407,801</b>	1,518,864	<b>111,063</b>	
Current portion of receivables - non-exchange transactions	818,610	(811,613)	<b>6,997</b>	-	<b>(6,997)</b>	
Cash and cash equivalents	117,156,862	4,620,592	<b>121,777,454</b>	200,973,607	<b>79,196,153</b>	71
	<b>194,988,224</b>	<b>14,549,972</b>	<b>209,538,196</b>	<b>322,045,687</b>	<b>112,507,491</b>	
<b>Non-Current Assets</b>						
Investment property	26,794,760	1,496,903	<b>28,291,663</b>	28,040,106	<b>(251,557)</b>	
Property, plant and equipment	782,077,280	(14,207,691)	<b>767,869,589</b>	748,822,140	<b>(19,047,449)</b>	
Intangible assets	471,376	(117,307)	<b>354,069</b>	1,017,125	<b>663,056</b>	71
Heritage assets	260,000	15,450	<b>275,450</b>	275,448	<b>(2)</b>	
Other financial assets (investments)	125,000	(11,710)	<b>113,290</b>	72,499	<b>(40,791)</b>	
Receivables from exchange transactions	9,996,177	(9,996,177)	-	255,168	<b>255,168</b>	
Receivables from non-exchange transactions	1,764,868	(827,648)	<b>937,220</b>	341,803	<b>(595,417)</b>	
Non-current portion of long term receivables - exchange transactions	3,828,530	(3,764,381)	<b>64,149</b>	-	<b>(64,149)</b>	
	<b>825,317,991</b>	<b>(27,412,561)</b>	<b>797,905,430</b>	<b>778,824,289</b>	<b>(19,081,141)</b>	
<b>Total Assets</b>	<b>1,020,306,215</b>	<b>(12,862,589)</b>	<b>1,007,443,626</b>	<b>1,100,869,976</b>	<b>93,426,350</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Long-term borrowings	2,216,675	7,410,858	<b>9,627,533</b>	4,063,951	<b>(5,563,582)</b>	71
Finance lease obligation	804,385	216,677	<b>1,021,062</b>	964,664	<b>(56,398)</b>	
Payables from exchange transactions	76,100,950	3,335,588	<b>79,436,538</b>	77,506,366	<b>(1,930,172)</b>	
Consumer deposits	12,457,200	818,471	<b>13,275,671</b>	12,726,209	<b>(549,462)</b>	
Employee benefit obligation	19,059,195	387,743	<b>19,446,938</b>	22,022,820	<b>2,575,882</b>	71
Unspent conditional grants and receipts	-	-	-	6,642,626	<b>6,642,626</b>	71
Provisions	20,232,085	719,951	<b>20,952,036</b>	21,053,680	<b>101,644</b>	
	<b>130,870,490</b>	<b>12,889,288</b>	<b>143,759,778</b>	<b>144,980,316</b>	<b>1,220,538</b>	
<b>Non-Current Liabilities</b>						
Long-term borrowings	44,455,862	(25,210,014)	<b>19,245,848</b>	39,782,572	<b>20,536,724</b>	
Finance lease obligation	1,464,135	(693,748)	<b>770,387</b>	833,141	<b>62,754</b>	

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Figures in Rand</b>						
Employee benefit obligation	60,702,708	(11,548,722)	<b>49,153,986</b>	53,274,861	<b>4,120,875</b>	
Provisions	57,858,032	-	<b>57,858,032</b>	45,336,286	<b>(12,521,746)</b>	
	<b>164,480,737</b>	<b>(37,452,484)</b>	<b>127,028,253</b>	<b>139,226,860</b>	<b>12,198,607</b>	
<b>Total Liabilities</b>	<b>295,351,227</b>	<b>(24,563,196)</b>	<b>270,788,031</b>	<b>284,207,176</b>	<b>13,419,145</b>	
<b>Net Assets</b>	<b>724,954,988</b>	<b>11,700,607</b>	<b>736,655,595</b>	<b>816,662,800</b>	<b>80,007,205</b>	
<b>Net Assets</b>						
<b>Net Assets Attributable to Owners of Controlling Entity</b>						
<b>Reserves</b>						
Capital replacement reserve	(55,000,000)	(273,909)	<b>(55,273,909)</b>	62,921,000	<b>118,194,909</b>	
Accumulated surplus	(669,954,988)	(11,426,698)	<b>(681,381,686)</b>	753,741,800	<b>1,435,123,486</b>	
<b>Total Net Assets</b>	<b>(724,954,988)</b>	<b>(11,700,607)</b>	<b>(736,655,595)</b>	<b>816,662,800</b>	<b>1,553,318,395</b>	

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Cash flow statement</b>						
<b>Cash flows from operating activities</b>						
<b>Receipts</b>						
Taxation	55,078,013	(9,963)	<b>55,068,050</b>	51,435,345	<b>(3,632,705)</b>	71
Service charges	515,986,533	(32,671,633)	<b>483,314,900</b>	502,530,207	<b>19,215,307</b>	71
Sale of goods and services	21,967,618	(307,157)	<b>21,660,461</b>	16,806,934	<b>(4,853,527)</b>	71
Grants	150,978,000	4,769,446	<b>155,747,446</b>	142,370,472	<b>(13,376,974)</b>	71
Interest income	12,544,000	27,190	<b>12,571,190</b>	13,267,134	<b>695,944</b>	71
Dividends received	-	-	-	1,658	<b>1,658</b>	71
	<b>756,554,164</b>	<b>(28,192,117)</b>	<b>728,362,047</b>	<b>726,411,750</b>	<b>(1,950,297)</b>	
<b>Payments</b>						
Employee related costs	(684,744,571)	(10,776,983)	<b>(695,521,554)</b>	(208,307,107)	<b>487,214,447</b>	71
Suppliers	-	-	-	(427,002,459)	<b>(427,002,459)</b>	71
Finance costs	(4,133,370)	(110,720)	<b>(4,244,090)</b>	(1,639,586)	<b>2,604,504</b>	71
Transfers and grants	(3,104,000)	(1,520,000)	<b>(4,624,000)</b>	(3,124,531)	<b>1,499,469</b>	71
	<b>(691,981,941)</b>	<b>(12,407,703)</b>	<b>(704,389,644)</b>	<b>(640,073,683)</b>	<b>64,315,961</b>	
<b>Net cash flows from operating activities</b>	<b>64,572,223</b>	<b>(40,599,820)</b>	<b>23,972,403</b>	<b>86,338,067</b>	<b>62,365,664</b>	
<b>Cash flows from investing activities</b>						
Purchase of property, plant and equipment	(92,915,310)	13,896,418	<b>(79,018,892)</b>	(69,068,368)	<b>9,950,524</b>	71
Proceeds from sale of property, plant and equipment	1,492,440	-	<b>1,492,440</b>	-	<b>(1,492,440)</b>	71
Decrease/(increase) in other financial assets	-	-	-	3,341	<b>3,341</b>	71
<b>Net cash flows from investing activities</b>	<b>(91,422,870)</b>	<b>13,896,418</b>	<b>(77,526,452)</b>	<b>(69,065,027)</b>	<b>8,461,425</b>	
<b>Cash flows from financing activities</b>						
Repayment of long-term borrowings	(3,000,000)	-	<b>(3,000,000)</b>	(4,994,021)	<b>(1,994,021)</b>	71
Increase/(decrease) in consumer deposits	705,120	46,330	<b>751,450</b>	201,989	<b>(549,461)</b>	71
Long-term borrowing	27,128,750	(8,872,559)	<b>18,256,191</b>	35,000,000	<b>16,743,809</b>	71
Finance lease payments	-	-	-	(1,211,060)	<b>(1,211,060)</b>	
<b>Net cash flows from financing activities</b>	<b>24,833,870</b>	<b>(8,826,229)</b>	<b>16,007,641</b>	<b>28,996,908</b>	<b>12,989,267</b>	
Net increase/(decrease) in cash and cash equivalents	(2,016,777)	(35,529,631)	<b>(37,546,408)</b>	46,269,948	<b>83,816,356</b>	71
Cash and cash equivalents at the beginning of the year	119,173,652	40,150,210	<b>159,323,862</b>	154,703,659	<b>(4,620,203)</b>	71
<b>Cash and cash equivalents at the end of the year</b>	<b>117,156,875</b>	<b>4,620,579</b>	<b>121,777,454</b>	<b>200,973,607</b>	<b>79,196,153</b>	

# **Langeberg Local Municipality**

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## **Accounting Policies**

---

### **1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS**

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the MFMA and effective Standards of GRAP, including any interpretations and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the MFMA.

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraphs 8, 10 and 11 of GRAP 3 (Revised – March 2019) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

A summary of the significant accounting policies is disclosed below. These policies are consistent with those used to present the previous year's financial statements unless explicitly stated otherwise. The details of any changes in accounting policy, or use of transitional provisions, where applicable, are explained in the relevant notes to the annual financial statements.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

In terms of Directive 7: "The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the municipality applied deemed cost to Property, Plant and Equipment, Investment Property and Intangible Assets where the acquisition cost of an asset could not be determined.

#### **1.1. PRESENTATION CURRENCY**

Amounts reflected in the financial statements are in South African Rand (which is the functional currency of the municipality) and at actual values. Financial values are rounded to the nearest Rand. No foreign exchange transactions are included in the statements.

#### **1.2. GOING CONCERN ASSUMPTION**

These annual financial statements have been prepared on a going concern basis.

#### **1.3. COMPARATIVE INFORMATION**

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatement of comparative information. The nature and reason for the reclassification are disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

The Municipal Regulations on Standard Chart of Accounts (mSCOA) came into effect on 1 July 2017. The mSCOA Charts are updated annually by National Treasury. The municipality has realigned items in the financial statements with the Item Segment of mSCOA Version 6.3, on which the municipality was required to transact for periods after 1 July 2019. The result of this process was a reclassification and naming of items in the annual financial statements. The reclassification of 2019 audited amounts is set out in note 56 of the annual financial statements.

#### **1.4. AMENDED DISCLOSURE POLICY**

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include errors.

#### **1.5. MATERIALITY**

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

---

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Conceptual Framework for General Purpose Financial Reporting states that users are assumed to have a reasonable knowledge of the municipality's activities and the environment in which it operates, to be able and prepared to read annual financial statements and to review and analyse the information presented with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

Materiality is determined as 1% of total operating expenditure. This materiality is from management's perspective and does not correlate with the auditor's materiality.

### 1.6. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the municipality's accounting policies management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

#### 1.6.1 *Post-retirement medical obligations, long service awards and ex gratia gratuities*

The cost of post-retirement medical obligations, long service awards and ex-gratia gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Major assumptions used are disclosed in note 17 of the Annual Financial Statements. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

#### 1.6.2 *Impairment of Loans and Receivables*

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

The impairment for loans and receivables is considered first for individually significant loans and receivables and then calculated on a portfolio basis for the remaining balance, including those individually significant loans and receivables for which no indicators of impairment were found. For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

On loans and receivables, an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the loan's or receivable's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition (if practically determinable). Where the effective interest rate at initial recognition is not practically determinable, the government bond rate is used as the risk-free rate and adjusted for any risks specific to the loans and receivables.

#### 1.6.3 *Useful lives of property, plant and equipment*

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings, management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and residual values of property, plant and equipment:

- The useful life of movable assets was determined using the age of similar assets available for sale in the active market. Discussions with people within the specific industry were also held to determine useful lives.
- Local Government Industry Guides was used to assist with the deemed cost and useful life of infrastructure assets. The municipality referred to buildings in other municipal areas to determine the useful life of buildings. The municipality also consulted with engineers to support the useful life of buildings, with specific reference to the structural design of buildings.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciated replacement cost method which was based on assumptions about the remaining duration of the assets.

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

---

The cost for depreciated replacement cost was determined by using either one of the following:

- Cost of items with a similar nature currently in the municipality's asset register.
- Cost of items with a similar nature in other municipalities' asset registers, given that the other municipality has the same geographical setting as the municipality and that the other municipality's asset register is considered to be accurate.
- Cost as supplied by suppliers.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

### **1.6.4 Intangible Assets**

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

Reference was made to intangibles used within the municipality and other municipalities to determine the useful life of the assets.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciation cost method which was based on assumptions about the remaining duration of the assets.

### **1.6.5 Investment Property**

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

Management referred to the following when making assumptions regarding useful lives and valuation of investment property:

- The municipality referred to buildings in other municipal areas to determine the useful life of buildings.
- The municipality also consulted with professional engineers and qualified valuers to support the useful life of buildings.

For deemed cost applied to Investment Property as per adoption of Directive 7, management made use of an independent valuer. The valuer's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

### **1.6.6 Provisions and Contingent Liabilities**

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the time value effect is material.

### **1.6.7 Provision for Landfill Sites**

The provision for rehabilitation of the landfill site is recognised as and when the environmental liability arises. The provision is calculated by a qualified environmental engineer. The provision represents the best estimate or net present value of the expected future cash flows to rehabilitate the landfill site at year-end. To the extent that the obligations relate to an asset, it is capitalised as part of the cost of those assets. Any subsequent changes to an obligation that did not relate to the initial related asset are charged to the Statement of Financial Performance.

Management referred to the following when making assumptions regarding provisions:

- Professional engineers were utilised to determine the cost of rehabilitation of landfill sites as well as the remaining useful life of each specific landfill site.
- Interest rates (investment rate) linked to prime was used to calculate the effect of time value of money.

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

---

### **1.6.8 Provision for staff leave**

Staff leave is accrued to employees according to collective agreements. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave or when employment is terminated.

### **1.6.9 Provision for performance bonuses**

The provision for performance bonuses represents the best estimate of the obligation at year-end and is based on historic patterns of payment of performance bonuses. Performance bonuses are subject to an evaluation by Council.

### **1.6.10 Pre-paid electricity estimation**

Pre-paid electricity is only recognised as income once the electricity is consumed. The pre-paid electricity balance (included under payables) represents the best estimate of electricity sold at year-end, which is still unused. The average pre-paid electricity sold per day during the year under review is used and the estimate is calculated using between 5 and 10 days' worth of unused electricity.

### **1.6.11 Componentisation of infrastructure assets**

All infrastructure assets are unbundled into their significant components in order to depreciate all major components over the expected useful lives. The cost of each component is estimated based on the current market price of each component, depreciated for age and condition and recalculated to cost at the acquisition date if known or to the date of initially adopting the Standards of GRAP.

### **1.6.12 Revenue Recognition**

Accounting Policy on Revenue from Non-Exchange Transactions and Accounting Policy on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from Non-Exchange Transactions. Specifically, whether the municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

### **1.6.13 Impairment of statutory receivables**

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the municipality determines the impairment loss. For amounts due to the municipality, significant financial difficulties of the statutory receivable, the probability that the statutory receivable will enter bankruptcy and default of payments are all considered indicators of impairment.

The impairment loss is measured as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

In estimating the future cash flows, the municipality considers both the amount and timing of the cash flows that it will receive in future. Where the effect of the time value of money is material, the municipality discounts the estimated future cash flows using a rate that reflects the current risk-free rate and any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable are revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

## **1.7. PRESENTATION OF BUDGET INFORMATION**

The presentation of budget information is prepared in accordance with GRAP 24 and guidelines issued by National Treasury. The comparison of budget and actual amounts are disclosed as a separate statement, namely Statements of comparison of budget and actual amounts.

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

---

Budget information is presented on the accrual basis and is based on the same period as the actual amounts. The budget information is therefore on a comparable basis to the actual amounts. Comparable information includes the following:

- The approved and final budget amounts.
- Actual amounts and final budget amounts.

The approved budget covers the fiscal period from 2019/07/01 to 2020/06/30.

Explanations for differences between the approved and final budget are included in the Notes to the Financial Statements.

Explanations for material differences between the final budget amounts and actual amounts are included the notes to the annual financial statements.

The disclosure of comparative information in respect of the previous period is not required in terms of GRAP 24.

### 1.8. ACCUMULATED SURPLUS/DEFICIT

The accumulated surplus / (deficit) represents the net difference between the total assets and the total liabilities of the municipality. Any surpluses and deficits realised during a specific reporting period are credited/debited against accumulated surplus / (deficit). Prior year adjustments, relating to income and expenditure, are credited/debited against accumulated surplus / (deficit) when retrospective adjustments are made.

### 1.9. RESERVES

#### 1.9.1. Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, funds are transferred from the accumulated surplus / (deficit) to the CRR. The cash funds in the CRR can only be utilised for the purpose of purchasing/ construction of items of property, plant and equipment and may not be used for the maintenance of these items. The CRR is reduced and the accumulated surplus / (deficit) is credited by a corresponding amount when the amounts in the CRR are utilised.

### 1.10. LEASES

#### 1.10.1. Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets (excluding licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents and copyrights) subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments.

The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment, investment property or intangibles assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined expenses and actual payments made will give rise to a liability or asset. The Municipality recognises the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

---

### **1.10.2. Municipality as Lessor**

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease. The difference between the straight-lined revenue and actual payments received will give rise to an asset or liability. The municipality recognises the aggregate cost of incentives as a reduction of rental revenue over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern over which the benefit of the leased asset is diminished.

### **1.11. BORROWING COST**

The municipality recognises all borrowing costs as an expense in the period in which they are incurred.

### **1.12. UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**

Conditional government grants are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

Unspent conditional grants are liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from government organs. Unspent conditional grants are not considered to be financial instruments as there are no contractual arrangements as required per GRAP 104. Once the conditional grant becomes repayable to the donor due to conditions not met, the remaining portion of the unspent conditional grant is reclassified as payables, which is considered to be a financial instrument.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.
- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the liability. If it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

### **1.13. UNPAID CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**

Unpaid conditional grants are assets that are separately disclosed in the Statement of Financial Position. The asset is recognised when the municipality has an enforceable right to receive the grant or if it is virtually certain that it will be received based on that grant conditions have been met. They represent unpaid government grants, subsidies and contributions from the public.

The following provisions are set for the creation and utilisation of grant receivables:

- Unpaid conditional grants are recognised as an asset when the grant is receivable.

### **1.14. UNSPENT PUBLIC CONTRIBUTIONS**

Public contributions are subject to specific conditions. If these specific conditions are not met, the monies received are repayable.

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

---

Unspent public contributions are liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public. Unspent public contributions are not considered to be financial instruments as there are no contractual arrangements as required per GRAP 104. Once the public contribution becomes repayable to the donor due to conditions not met, the remaining portion of the unspent public contribution is reclassified as payables, which is considered to be a financial instrument.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

Unspent public contributions are recognised as a liability when the grant is received:

- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the municipality until it is utilised.
- Interest earned on the investment is treated in accordance with the public contribution conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

### 1.15. PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resource embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate of future outflows of resources. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- The municipality has a detailed formal plan for the restructuring identifying at least:
  - the business or part of a business concerned;
  - the principal locations affected;
  - the location, function and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented.
- The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date.

If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision is derecognised.

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

---

### 1.16. CONSUMER DEPOSITS

Consumer deposits are partial security for a future payment of an account. All consumers are therefore required to pay a deposit equal to two months of consumption of electricity and water services. Deposits are considered a liability as the deposit is only refunded once the service is terminated. No interest is paid on deposits.

### 1.17. EMPLOYEE BENEFITS

#### 1.17.1 Pension and Retirement Fund Obligations

The municipality provides retirement benefits for its employees and councillors. Defined contribution plans are post-employment benefit plans under which the municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable.

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

The defined benefit funds, which are administered on a provincial basis, are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump-sum payments or increased future contributions on a proportional basis to all participating municipalities. The contributions and lump sum payments are charged against income in the year they become payable. Sufficient information is not available to use defined benefit accounting for a multi-employer plan. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

The municipality operates various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The municipality has both defined benefit and defined contribution plans. A defined-contribution plan is a pension plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the Statement of Financial Position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the Statement of Financial Performance in the period that it occurs.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases).

In measuring its defined benefit liability, the municipality recognises past service cost as an expense in the reporting period in which the plan is amended. For defined contribution plans, the municipality pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

#### 1.17.2 Post-Retirement Medical Obligations

The municipality provides post-retirement medical benefits by subsidising the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 60% as a contribution and the remaining 40% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

---

accordance with GRAP 25 – Employee benefits (using a discount rate applicable to high-quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The interest cost of the defined benefit obligation is recognised as finance cost in the Statement of Financial Performance, as it meets the definition of Interest Cost in GRAP 25. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

### **1.17.3 Long Service Awards**

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the municipality. The municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as finance cost upon valuation, as it meets the definition of interest cost in GRAP 25.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

### **1.17.4 Ex-Gratia Pension Benefits**

Ex-gratia gratuities are provided to employees that were not previously members of a pension fund. The municipality's obligation under these plans is valued by independent qualified actuaries and the corresponding liability is raised. Payments made by the municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as financial cost upon valuation as it meets the definition of interest cost in GRAP 25.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

### **1.17.5 Staff Leave**

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year-end and also on the total remuneration package of the employee.

Accumulated leave is carried forward and can be used in future periods if the current period's entitlement is not used in full. All unused leave will be paid out to the specific employee at the end of that employee's employment term.

Accumulated leave is vesting.

### **1.17.6 Staff Bonuses**

Liabilities for staff bonuses are recognised as they accrue to employees. The liability at year-end is based on bonus accrued at year-end for each employee.

### **1.17.7 Performance Bonuses**

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is recognised as it accrues to Section 57 employees. The performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

---

### **1.17.8 Other Short-term Employee Benefits**

When an employee has rendered service to the municipality during a reporting period, the municipality recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- As a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund.
- As an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

### **1.18. PROPERTY, PLANT AND EQUIPMENT**

#### **1.18.1 Initial Recognition**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and the cost or fair value of the item can be measured reliably.

Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measure at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Where an asset is acquired through a non-exchange transaction, any transaction cost incurred is recognised as part of the cost of the asset.

#### **1.18.2 Subsequent Measurement – Cost Model**

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

---

### 1.18.3. Depreciation and Impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated useful lives:

	Years		Years
Buildings	1-105	Plant and machinery	1-40
<b>Finance Leased assets</b>		Furniture and fixtures	1-100
Office equipment	2-22	Motor vehicles	4-45
Other assets	2-22	Specialised vehicles	10-20
		IT equipment	2-20
<b>Infrastructure</b>		<b>Other property, plant and equipment</b>	
Roads and Paving	1-100	Landfill sites	1-15
Pedestrian Malls	1-100	Quarries	25
Electricity	1- 80		
Water	1-125		
Sewerage	1-100		
Housing	1-105		
<b>Community</b>			
Recreational Facilities	7-100		
Security	5		
Halls	1-105		
Libraries	1-100		
Parks and gardens	1-100		
Other assets	7-100		

Changes to the useful life of assets are reviewed if there is an indication that a change may have occurred in the estimated useful life. If the expectation differs from the previous estimates, the change is accounted for in accordance with GRAP 3 either prospectively as a change in the accounting estimate or retrospectively as a prior period error depending on the specific circumstances.

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable service amount is estimated. The impairment charged to the Statement of Financial Performance is the difference between the carrying value and the recoverable service amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

### 1.18.4. De-recognition

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

### 1.18.5. Land and Buildings and Other Assets – application of deemed cost (Directive 7)

The municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2007. The municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings, the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2009. For other assets, the depreciation cost method was used to establish the deemed cost as on 1 July 2009.

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

---

### 1.19. INTANGIBLE ASSETS

#### 1.19.1 Initial Recognition

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- Is separable, i.e. is capable of being separated or divided from the municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability or
- Arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations, is separable, i.e. is capable of being separated or divided from the municipality and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability.

The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- The municipality intends to complete the intangible asset for use or sale.
- It is technically feasible to complete the intangible asset.
- The municipality has the resources to complete the project.
- It is probable that the municipality will receive future economic benefits or service potential.
- The municipality can measure reliably the expenditure attributable to the intangible asset during its development.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

#### 1.19.2 Subsequent Measurement – Cost Model

Intangible assets are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

#### 1.19.3 Amortisation and Impairment

Amortisation is charged so as to write off the cost of intangible assets over their estimated useful lives using the straight-line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are amortised separately.

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

---

The annual amortisation rates are based on the following estimated useful lives:

<u>Intangible Assets</u>	<u>Years</u>
Computer Software	Indefinite
Servitudes	Indefinite

Changes to the useful life of assets are reviewed if there is an indication that a change may have occurred in the estimated useful life. If the expectation differs from the previous estimates, the change is accounted for in accordance with GRAP 3 either prospectively as a change in the accounting estimate or retrospectively as a prior period error depending on the specific circumstances.

### **1.19.4 De-recognition**

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

### **1.19.5 Application of deemed cost (Directive 7)**

The municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Intangible Assets, the depreciation cost method was used to establish the deemed cost as on 1 July 2009.

## **1.20. INVESTMENT PROPERTY**

### **1.20.1 Initial Recognition**

Investment property is recognised as an asset when and only when:

- It is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality and
- The cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use is also classified as investment property.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is measured at cost

Where an asset is acquired through a non-exchange transaction, any transaction cost incurred are recognised as part of the cost of the asset.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

### **1.20.2 Subsequent Measurement – Cost Model**

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and accumulated impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

---

### **1.20.3 Depreciation and Impairment – Cost Model**

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately.

The annual depreciation rates are based on the following estimated useful lives:

<b><u>Investment Property</u></b>	<b><u>Years</u></b>
Buildings	1-100
Land	Indefinite

Changes to the useful life of assets are reviewed if there is an indication that a change may have occurred in the estimated useful life. If the expectation differs from the previous estimates, the change is accounted for in accordance with GRAP 3 either prospectively as a change in the accounting estimate or retrospectively as a prior period error depending on the specific circumstances.

### **1.20.4 De-recognition**

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

### **1.20.5 Application of deemed cost (Directive 7)**

The municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2009.

## **1.21. CONSTRUCTION CONTRACTS**

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by either the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs or surveys of work done or completion of a physical proportion of the contract work.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

## **1.22. HERITAGE ASSETS**

### **1.22.1 Initial Recognition**

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and is held and preserved indefinitely for the benefit of present and future generations.

A heritage asset is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

A heritage asset that qualifies for recognition as an asset is measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition.

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

---

### 1.22.2 Subsequent Measurement – Cost Model

After recognition as an asset, heritage assets are carried at its cost less any accumulated impairment losses.

### 1.22.3 Depreciation and Impairment

Heritage assets are not depreciated.

Heritage assets are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's or recoverable service amount is estimated. The impairment recognised in the Statement of Financial Performance is the excess of the carrying value or recoverable service amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of impairment is recognised in the Statement of Financial Performance.

### 1.22.4 De-recognition

Heritage assets are derecognised when it is disposed or when there are no further economic benefits expected from the use of the heritage asset. The gain or loss arising on the disposal or retirement of a heritage asset is determined as the difference between the sales proceeds and the carrying value of the heritage asset and is recognised in the Statement of Financial Performance.

### 1.22.5 Application of deemed cost (Directive 7)

The municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2009.

## 1.23 IMPAIRMENT OF NON-FINANCIAL ASSETS

### 1.23.1 Cash-generating assets

Cash-generating assets are assets held with the primary objective of generating a commercial return.

#### (a) Designation

At initial recognition, the municipality designates an asset as non-cash-generating or an asset or cash-generating unit as cash-generating. The designation is made on the basis of the municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:

- Its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return such that
- The asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

An asset used with the objective of generating a commercial return and service delivery is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate a commercial return, the municipality designates the asset as a non-cash-generating asset and applies the accounting policy on Impairment of non-cash-generating assets, rather than this accounting policy.

The municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount.

In assessing whether there is any indication that an asset may be impaired, the municipality considers the following indications:

#### (b) External sources of information

- During the period, an asset's market value has declined significantly more than would be expected as a result of the passage of time or normal use.

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

---

- Significant changes with an adverse effect on the municipality have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the municipality operates or in the market to which an asset is dedicated.
- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially.

### *(c) Internal sources of information*

- Evidence is available of obsolescence or physical damage of an asset.
- Significant changes with an adverse effect on the municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.
- Evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected.

The re-designation of assets from a cash-generating asset to a non-cash generating asset or from a non-cash-generating asset to a cash-generating asset shall only occur when there is clear evidence that such a re-designation is appropriate. A re-designation, by itself, does not necessarily trigger an impairment test or a reversal of an impairment loss. Instead, the indication for an impairment test or a reversal of an impairment loss arises from, as a minimum, the indications listed above.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

### **1.23.2 Non-cash-generating assets**

Non-cash-generating assets are assets other than cash-generating assets.

The municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable service amount.

In assessing whether there is any indication that an asset may be impaired, the municipality considers the following indications:

### *(a) External sources of information*

- Cessation, or near cessation, of the demand or need for services provided by the asset.

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

---

- Significant long-term changes with an adverse effect on the municipality have taken place during the period or will take place in the near future, in the technological, legal or government policy environment in which the municipality operates.

### *(b) Internal sources of information*

- Evidence is available of physical damage of an asset.
- Significant long-term changes with an adverse effect on the municipality have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, or plans to dispose of an asset before the previously expected date.
- A decision to halt the construction of the asset before it is complete or in a usable condition.
- Evidence is available from internal reporting that indicates that the service performance of an asset is, or will be significantly worse than expected.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss recorded in the Statement of Financial Performance.

The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches:

- Depreciated replacement cost approach - the present value of the remaining service potential of an asset is simulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- Restoration cost approach - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- Service unit approach - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

An impairment loss is recognised immediately in surplus or deficit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

---

### 1.24 OTHER FINANCIAL ASSETS

Financial instruments, which include, investments in municipal entities and fixed deposits invested in registered commercial banks, are stated at cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

### 1.25. INVENTORIES

#### 1.25.1 Initial Recognition

Inventories comprise of current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and the cost of the inventories can be measured reliably. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Water inventory is measured by multiplying the cost per kilolitre of purified water by the amount of water in storage.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

#### 1.25.2 Subsequent Measurement

Inventories, consisting of consumable stores, finished goods, housing stock, land, materials and supplies, water and work-in-progress, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the weighted average method or first-in-first-out method. The first-in-out-method is applied to maintenance material inventory items. The weighted average method is applied to compost, low-cost housing, water for distribution and the remaining inventory items which are not maintenance related.

Water inventory is measured annually at the reporting date by way of dip readings and the calculated volume in the distribution network.

### 1.26 FINANCIAL INSTRUMENTS

Financial instruments recognised on the Statement of Financial Position include receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and payables (both from exchange and non-exchange transactions). The future utilisation of unspent conditional grants is evaluated in order to determine whether it is treated as financial instruments.

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

---

### 1.26.1 Initial Recognition

Financial instruments are initially recognised when the municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If finance charges in respect of financial assets and financial liabilities are significantly different from similar charges usually obtained in an open market transaction, adjusted for the specific risks of the municipality, such differences are immediately recognised in the period it occurs, and the unamortised portion adjusted over the period of the loan transactions.

### 1.26.2 Subsequent Measurement

Financial assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost. Financial liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost. The subsequent measurement of financial assets and liabilities depends on this categorisation.

#### 1.26.2.1 Receivables

Receivables are classified as financial assets at amortised cost and are subsequently measured at amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance.

Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

#### 1.26.2.2 Payables and Annuity Loans

Financial liabilities consist of trade and other payables and annuity loans. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

#### 1.26.2.3 Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets carried at amortised cost.

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

---

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

### **1.26.3 De-recognition**

#### *1.26.3.1 Financial Assets*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

the rights to receive cash flows from the asset have expired or the municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and either the municipality has transferred substantially all the risks and rewards of the asset, or the municipality has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the old asset is derecognised and a new asset is recognised to the extent of the municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the municipality could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the municipality's continuing involvement is the amount of the transferred asset that the municipality may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

#### *1.26.3.2 Financial Liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

### **1.26.4 Offsetting of Financial Instruments**

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

## **1.27 STATUTORY RECEIVABLES**

Statutory receivables arise from legislation, supporting regulations, or similar means and require settlement by another entity in cash or another financial asset. Statutory receivables can arise from both exchange and non-exchange transactions. Statuary receivables arise from the following legislation:

- Property Rates - Municipal Property Rates Act (6 of 2004)
- Fines - Criminal procedures Act (51 of 1977)

### **1.27.1 Initial Recognition**

The municipality recognises statutory receivables as follows:

- If the transaction is an exchange transaction, using the policy on revenue from exchange transactions.

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

---

- If the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers).
- If the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

### **1.27.2 Initial measurement**

The municipality initially measures statutory receivables at their transaction amount.

### **1.27.3 Subsequent measurement**

The municipality initially measures the statutory receivables at their transaction amount. The municipality measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to reflect any:

- Interest or other charges that may have accrued on the receivable.
- Impairment losses.
- Amounts derecognised.

### **1.27.4 Accrued interest**

Where the municipality levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate.

Interest on statutory receivables is recognised as revenue in accordance with the policy on revenue from exchange transactions or the policy on revenue from non-exchange transactions (taxes and transfers), whichever is applicable.

### **1.27.5 Impairment losses**

The municipality assesses at each reporting date whether there is any indication that a statutory receivable may be impaired. In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the municipality considers, as a minimum, the following indicators:

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

If there is an indication that a statutory receivable may be impaired, the municipality measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable is reduced, through the use of an allowance account. The amount of the loss is recognised in the Statement of Financial Performance. In estimating the future cash flows, the municipality considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the municipality discounts the estimated future cash flows using a rate that reflects the current risk-free rate and any risks specific to the statutory receivable for which the future cash flow estimates have not been adjusted.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows. Any previously recognised impairment loss is adjusted by adjusting the allowance account. The amount of any adjustment is recognised in the Statement of Financial Performance.

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

---

### 1.27.6 Derecognition

The municipality derecognises a statutory receivable when:

- The rights to the cash flows from the receivable are settled, expire or are waived.
- The municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable.
- The municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality:
  - derecognises the receivable; and
  - recognises separately any rights and obligations created or retained in the transfer.

## 1.28 REVENUE

### 1.28.1 Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. At the time of initial recognition, the full amount of revenue is recognised. If the municipality does not enforce its obligation to collect the revenue, this would be considered as a subsequent event. Collection charges are recognised when such amounts are legally enforceable. Rebates and discounts are offset against the related revenue, in terms of IGRAP 1, as there is no intention of collecting this revenue.

Fine Revenue constitutes both spot fines and summonses. Fine revenue is recognised when the spot fine or summons is issued. In cases where fines and summonses are issued by another government institute, revenue will only be recognised by the municipality when the receivable meets the definition of an asset. All unpaid receivables relating to traffic fines as at 30 June 2018 was written off in the 2018/2019 financial year.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment when such items of property, plant and equipment qualify for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualify for recognition and become available for use by the municipality.

All unclaimed deposits are initially recognised as a liability until 36 months expires when all unclaimed deposits into the municipality's bank account will be treated as revenue. This policy is in line with the prescribed debt principle as enforced by the law.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the MFMA (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue is measured at the fair value of the consideration received or receivable.

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

---

When, as a result of a non-exchange transaction, a municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

Services in-kind that are significant to the municipality's operations are recognised as assets and the related revenue when:

- It is probable that the future economic benefits or service potential will flow to the Municipality and
- The fair value of the assets can be measured reliably.

If the services in-kind are not significant to the municipality's operations or does not satisfy the above-mentioned criteria, the municipality only discloses the nature and type of services in-kind received during the reporting period. When the criteria for recognition is satisfied, services in-kind are measured on initial recognition at their fair value as at the date of acquisition. Services in-kind include services provided by individuals to the municipality and the right to use assets in a non-exchange transaction. These services meet the definition of an asset because the municipality controls the resource from which future economic benefits or service potential is expected to flow to the municipality. The assets are immediately consumed and a transaction of equal value is also recognised to reflect the consumption of these services in-kind, resulting in a decrease of the asset and an increase in an expense. The municipality therefore recognises an expense and related revenue for the consumption of services in-kind.

### **1.28.2 Revenue from Exchange Transactions**

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable.

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

At the time of initial recognition, the full amount of revenue is recognised where the municipality has an enforceable legal obligation to collect, unless the individual collectability is considered to be improbable. If the municipality does not successfully enforce its obligation to collect the revenue this would be considered a subsequent event.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. It is estimated that pre-paid electricity is consumed within 5 to 7 days after the date of purchase. The pre-paid electricity sold, but not consumed yet at year-end is disclosed under Payables from Exchange Transactions in the Statement of Financial Position.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage and are levied monthly based on the recorded number of refuse points per property.

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

---

Service charges relating to sanitation (sewerage) are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage. In the case of residential property, a fixed monthly tariff is levied and in the case of commercial property, a tariff is levied based on the number of sewerage connection on the property. Service charges based on a basic charge as per Council resolution.

Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends are recognised on the date that the municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue is measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the municipality and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the municipality.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinable of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

### 1.29 ACCOUNTING BY PRINCIPALS AND AGENTS

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

#### 1.29.1 Identifying whether an entity is a principal or an agent

When the municipality is a party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether the municipality is the principal or the agent requires the municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or its own benefit.

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

---

### **1.29.2 Binding arrangement**

The municipality assesses whether it is the agent or the principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as the principal or the agent. Assessing which entity benefits from the transactions with third parties The municipality is the agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that is an agent. The municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

The municipality is an agent for the Western Cape Provincial Department and receives a commission of 12% per signed agreement.

### **1.29.3 Recognition**

The municipality, as the agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

## **1.30 TRANSFER GRANTS IN AID**

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- Receive any goods or services directly in return, as would be expected in a purchase of sale transaction
- Expect to be repaid in future or
- Expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period that the event giving rise to the transfer has occurred.

## **1.31 TRANSFER OF FUNCTIONS (Municipality as the acquirer)**

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving the municipality's objectives, either by providing economic benefits or service potential.

A transfer of functions is the reorganisation and/or the re-allocation of functions between municipalities by transferring functions between municipalities or into another entity.

The municipality accounts for each transfer of functions between municipalities not under common control by applying the acquisition method. Applying the acquisition method requires:

- Identifying the acquirer (municipality).
- Determining the acquisition date.

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

---

- Recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree.
- Recognising the difference between (c) and the consideration transferred to the seller.

As of the acquisition date, the municipality recognises the identifiable assets acquired and the liabilities assumed. The identifiable assets acquired and liabilities assumed meets the definitions of assets and liabilities in the Conceptual Framework for General Purpose Financial Reporting and the recognition criteria in the applicable Standards of GRAP at the acquisition date. In addition, the identifiable assets acquired and liabilities assumed are part of what the Municipality and the acquiree (or its former owners) agreed in the binding arrangement.

The municipality measures the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values.

The municipality subsequently measures and account for assets acquired and liabilities assumed in accordance with other applicable Standards of GRAP.

### 1.32 RELATED PARTIES

A related party is a person or an entity:

- With the ability to control or jointly control the other party
- Or exercise significant influence over the other party, or vice versa
- Or an entity that is subject to common control, or joint control

The following are regarded as related parties of the municipality:

- A person or a close member of that person's family is related to the municipality if that person:
  - has control or joint control over the municipality
  - has significant influence over the municipality. Significant influence is the power to participate in the financial and operating policy decisions of the municipality
  - is a member of the management of the municipality or its controlling entity
- An entity is related to the municipality if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and a fellow controlled entity is related to the others)
  - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member)
  - both entities are joint ventures of the same third party
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity
  - the entity is a post-employment benefit plan for the benefit of employees of either the municipality or an entity related to the municipality. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity
  - the entity is controlled or jointly controlled by a person or a close member of that person's family which is related to the municipality
  - a person identified in (a) has significant influence over that entity or is a member of the management of that entity (or its controlling entity)

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

---

Close members of the family of a person are those family members who may be expected to influence or be influenced by that person in their dealings with the municipality. A person is considered to be a close member of the family of another person if they:

- Are married or live together in a relationship similar to a marriage or
- Are separated by no more than two degrees of natural or legal consanguinity or affinity.

Management (formerly known as "Key Management") includes all persons having the authority and responsibility for planning, directing and controlling the activities of the Municipality, including:

- All members of the governing body of the municipality.
- A member of the governing body of an economic entity who has the authority and responsibility for planning, directing and controlling the activities of the municipality.
- Any key advisors of a member, or sub-committees, of the governing body who has the authority and responsibility for planning, directing and controlling the activities of the municipality.
- The senior management team of the municipality, including the chief executive officer or permanent head of the municipality, unless already included in above.

Management personnel include:

- All directors or members of the governing body of the municipality, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.
- Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting municipality being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Remuneration of management includes remuneration derived for services provided to the municipality in their capacity as members of the management team or employees. Benefits derived directly or indirectly from the municipality for services in any capacity other than as an employee or a member of management do not meet the definition of remuneration. Remuneration of management excludes any consideration provided solely as reimbursement for expenditure incurred by those persons for the benefit of the municipality.

The municipality operates in an economic environment currently dominated by entities directly or indirectly owned by the South African government. As a result of the Constitutional independence of all three spheres of government in South Africa, only parties within the same sphere of government will be considered to be related parties. Only transactions with such parties which are not at arm's length and not on normal commercial terms are disclosed.

### 1.33 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the MFMA. Unauthorised expenditure is accounted for as an expense (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.34 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the MFMA, the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act. No. 20 of 1998) or is in contravention of the municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

# **Langeberg Local Municipality**

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## **Accounting Policies**

---

### **1.35 FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure (measured at actual cost incurred) in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### **1.36 CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality. A contingent liability could also be a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the probability of an outflow of resources embodying economic benefits or service potential is remote. A contingent asset is disclosed where the inflow of economic benefits or service potential is probable.

### **1.37 TAXES – VALUE ADDED TAX**

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

### **1.38 COMMITMENTS**

Items are classified as capital commitments when the municipality has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual future capital commitments relating to property, plant and equipment, investment property, intangible assets and heritage assets, as applicable. Refer to note - Commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services).
- Contracts should relate to something other than the routine, steady, state business of the municipality – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

Capital commitments disclosed in the financial statements represent the balance committed to capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

### **1.39 EVENTS AFTER REPORTING DATE**

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date).
- Those are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

If non-adjusting events after the reporting date are material, the municipality discloses the nature and an estimate of the financial effect.

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

---

### 1.40 TAXATION

#### 1.40.1 *Current tax assets and liabilities*

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities / (assets) for the current and prior periods are measured at the amount expected to be paid to / (recovered from) the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

#### 1.40.2 *Deferred tax assets and liabilities*

Deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused STC credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

#### 1.40.3 *Tax expenses*

Current and deferred taxes are recognised as income or an expense and included in surplus/deficit for the period.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

### 1.41 STANDARDS AND INTERPRETATIONS EFFECTIVE AND ADOPTED IN THE CURRENT YEAR

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

#### 1.41.1 *GRAP 20: Related Parties*

The objective of this Standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this Standard referred to as the reporting entity) shall apply this Standard in:

- Identifying related party relationships and transactions;
- Identifying outstanding balances, including commitments, between an entity and its related parties;
- Identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- Determining the disclosures to be made about those items

This Standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This Standard also applies to individual annual financial statements.

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

---

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The Standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
  - has control or joint control over the reporting entity;
  - has significant influence over the reporting entity;
  - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
  - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
- One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
  - both entities are joint ventures of the same third party;
  - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity
- Related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
  - the entity is controlled or jointly controlled by a person identified in (a); and
  - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The Standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The Standard elaborates on the definitions and identification of:

- Close member of the family of a person
- Management
- Related parties
- Remuneration
- Significant influence.

The Standard sets out the requirements, *inter alia*, for the disclosure of:

- Control
- Related party transactions
- Remuneration of management.

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

---

The effective date of the standard is for years beginning on or after 01 April 2019.

The municipality has adopted the standard for the first time in the 2019/2020 annual financial statements.

The adoption of this standard has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the annual financial statements.

### **1.41.2 GRAP 108: *Statutory Receivables***

The objective of this Standard is to prescribe accounting requirements for statutory receivables. Statutory receivables are receivables that:

- Arise from legislation, supporting regulations, or similar means; and
- Require settlement by another entity in cash or another financial asset.

It furthermore covers definitions, recognition, derecognition, measurement, presentation, disclosure, transitional provisions, and effective date.

The effective date of the standard is for years beginning on or after 01 April 2019.

The municipality has adopted the standard for the first time in the 2019/2020 annual financial statements.

The impact of the standard is not material.

### **1.41.3 GRAP 109: *Accounting by Principals and Agents***

The objective of this Standard is to outline principles to be used by an entity to assess whether it is a party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement. The Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does, however, provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

It furthermore covers definitions, Identifying whether an entity is a principal or agent, accounting by a principal or agent, presentation and disclosure, transitional provisions and effective date.

The effective date of the standard is for years beginning on or after 01 April 2019.

The municipality has adopted the standard for the first time in the 2019/2020 annual financial statements.

The impact of the standard is not material.

### **1.42 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE**

The following GRAP standards and Interpretations of the Standards of GRAP have been issued but are not yet effective and have not been early adopted by the municipality and are mandatory for accounting periods beginning on or after 01 July 2020 or later periods:

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

---

REFERENCE	TOPIC	EFFECTIVE DATE
GRAP 1 (amended)	<p><b>Presentation of financial statements</b></p> <p>Amendments to this Standard of GRAP, are primarily drawn from the IASB's amendments to the IFRS on Presentation of financial statements.</p> <p>Summary of amendments are:</p> <p><b>Materiality and aggregation</b></p> <p>The amendments clarify that:</p> <ul style="list-style-type: none"><li>• Information should not be obscured by aggregating or by providing immaterial information.</li><li>• Materiality considerations apply to all parts of the financial statements.</li><li>• Even when a Standard of GRAP requires a specific disclosure, materiality considerations apply.</li></ul> <p><b>Statement of financial position and statement of financial performance</b></p> <p>The amendments clarify that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.</p> <p><b>Notes structure</b></p> <p>The amendments add examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order listed in the Standard.</p> <p><b>Disclosure of accounting policies</b></p> <p>Remove guidance and examples with regards to the identification of significant accounting policies that were perceived as being potentially unhelpful.</p> <p>A municipality applies judgement based on past experience and current facts and circumstances.</p> <p>The expected impact of the amendment is not material.</p>	1 April 2020

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

---

### **GRAP 18 (as amended 2016): Segment reporting**

1 April 2020

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

The impact of the amendment is expected to be material.

### **GRAP 32**

#### **Service concession arrangements: Grantor**

1 April 2020

The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

No significant impact expected as no such transactions or events are expected in the foreseeable future.

### **GRAP 34**

#### **Separate financial statements**

1 April 2020

The objective of this Standards is to prescribe the accounting and disclosure requirements in controlled entities, joint ventures and associates when an entity prepares separate financial statements.

No significant impact expected as no such transactions or events are expected in the foreseeable future.

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

---

**GRAP 35**

### Consolidated financial statements

1 April 2020

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

To meet this objective, the Standard:

- Requires a municipality (the controlling entity) that controls one or more other entities (controlled entities) to present consolidated financial statements.
- Defines the principle of control and establishes control as the basis for consolidation.
- Sets out how to apply the principle of control to identify whether an entity controls another entity and therefore must consolidate that entity.
- Sets out the accounting requirements for the preparation of consolidated financial statements.
- Defines an investment entity and sets out an exception to consolidating particular controlled entities of an investment entity.

No significant impact expected as no such transactions or events are expected in the foreseeable future.

**GRAP 36**

### Investments in associates and joint ventures

1 April 2020

The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

No significant impact expected as no such transactions or events are expected in the foreseeable future.

**GRAP 37**

### Joint arrangements

1 April 2020

The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).

To meet this objective, the Standard defines joint control and requires an entity that is a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and to account for those rights and obligations in accordance with that type of joint arrangement.

No significant impact expected as no such transactions or events are expected in the foreseeable future.

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

---

**GRAP 38**

**Disclosure of interest in other entities**

1 April 2020

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:

- The nature of, and risks associated with, its interest in controlled entities unconsolidated controlled entities, joint arrangements and associates, and structure entities that are not consolidated.
- The effects of those interests on its financial position, financial performance and cash flows.

No significant impact expected as no such transactions or events are expected in the foreseeable future.

**GRAP 104**

**Financial Instruments**

Unknown

**(Revised – April 2019)**

The objective of this Standard is to establish principles for recognising, measuring, presenting and disclosing financial instruments.

The most significant changes to the Standard affect:

- Financial guarantee contracts issued.
- Loan commitments issued.
- Classification of financial assets.
- Amortised cost of financial assets.
- Impairment of financial assets.
- Disclosures.

No significant impact is expected as the Municipality's current treatment is already in line with the standard's treatment.

**GRAP 110**

**Living and non-living resources**

1 April 2020

The objective of this Standard is to prescribe the recognition, measurement, presentation and disclosure requirements for living resources, and disclosure requirements for non-living resources.

No significant impact expected as no such transactions or events are expected in the foreseeable future.

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

---

### IGRAP1 (Revised)

#### Applying the probability test on initial recognition of revenue 1 April 2020

The amendments to this Interpretation clarifies that a municipality should also consider other factors in assessing the probability of future economic benefits or service potential to the municipality.

Municipalities are also uncertain of the extent to which factors, other than the uncertainty about the collectability of revenue, should be considered when determining the probability of the inflow of future economic benefits or service potential on initial recognition of revenue.

For example, in providing certain goods or services, or when charging non-exchange revenue, the amount of revenue charged may be reduced or otherwise modified under certain circumstances. These circumstances include, for example, where a municipality grants early settlement discounts, rebates or similar reductions based on the satisfaction of certain criteria, or as a result of adjustments to revenue already recognised following the outcome of any review, appeal or objection process.

The consensus is that on initial recognition of revenue, a municipality considers the revenue it is entitled to, following its obligation to collect all revenue due to it in terms of legislation or similar means. In addition, an entity considers other factors that will impact the probable inflow of future economic benefits or service potential, based on past experience and current facts and circumstances that exist on initial recognition.

A municipality applies judgement based on past experience and current facts and circumstances.

The expected impact of the amendment is not material.

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

---

IGRAP 20

### Accounting for adjustments to revenue

1 April 2020

Adjustments to revenue already recognised in terms of legislation or similar means arise from the completion of an internal review process within municipalities, and/or the outcome of an external appeal or objection process undertaken in terms of legislation or similar means. Adjustments to revenue include any refunds that become payable as a result of the completion of a review, appeal or objection process. The adjustments to revenue already recognised following the outcome of a review, appeal or objection process can either result in a change in an accounting estimate or a correction of an error.

As per the scope, this Interpretation clarifies the accounting for adjustments to exchange and non-exchange revenue charged in terms of legislation or similar means, and interest and penalties that arise from revenue already recognised as a result of the completion of a review, appeal or objection process. Changes to the measurement of receivables and payables, other than those changes arising from applying this Interpretation, are dealt with in accordance with the applicable Standards of GRAP. The principles in this Interpretation may be applied, by analogy, to the accounting for adjustments to exchange or non-exchange revenue that arises from contractual arrangements where the fact patterns are similar to those in the Interpretation.

The Interpretation sets out the issues and relating consensus with accounting for adjustments to revenue.

The expected impact of the interpretation is not material.

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

---

### Directive 7 (revised)

#### The application of deemed cost

1 April 2020

This Directive was originally issued by the Accounting Standards Board in December 2009. Since then, it has been amended by:

(a) Consequential amendments when the following Standards of GRAP were amended to clarify some of the principles:

- Transfer of functions between entities under common control.
- Mergers.

(b) Consequential amendments arising from the Standard of GRAP on Living and non-living resources issued in December 2017.

(c) Consequential amendments arising from the following Standards of GRAP in May 2018:

- Separate financial statements.
- Consolidated financial statements.
- Investments in associates and joint ventures.
- Joint arrangements.
- Disclosure of interests in other entities.

The effective date of this Directive coincides with the effective dates of the applicable Standards of GRAP, as determined by the Minister of Finance. If an entity has assets that it previously could not recognise and/or measure in accordance with the Standards of GRAP on their initial adoption on the transfer date or the merger date because information about the acquisition cost of the assets was not available, an entity applies this Directive to those assets. The fair value of those assets is determined at the date of adopting the Standards of GRAP on the transfer date or the merger date in accordance with the Directive's Appendix paragraph A3.

No significant impact is expected as the municipality's current treatment is already in line with the Standard's treatment

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Accounting Policies

---

### Guideline

#### Guideline on the application of materiality to financial statements Unknown

The objective of the Guideline is to provide guidance that will assist municipalities to apply the concept of materiality when preparing financial statements in accordance with Standards of GRAP. The Guideline aims to assist municipalities in achieving the overall financial reporting objective. The Guideline outlines a process that may be considered by municipalities when applying materiality to the preparation of financial statements.

The guideline is encouraged to be used by municipalities.

No significant impact is expected as the municipality's current treatment is already in line with the Standard's treatment.

### Guideline

#### Guideline on accounting for landfill sites

Unknown

The Constitution of South Africa, 1996 (Act No. 108 of 1996) (the constitution), gives local government the executive authority over the functions of cleaning, refuse removal, refuse dumps and solid waste disposal. Even though waste disposal activities are mainly undertaken by municipalities, other public sector entities may also be involved in these activities from time to time. Concerns were raised about the inconsistent accounting practices for landfill sites and the related rehabilitation provision where entities undertake waste disposal activities. The objective of the Guideline is therefore to provide guidance to municipalities that manage and operate landfill sites. The guidance will improve comparability and provide the necessary information to the users of the financial statements to hold municipalities accountable and for decision making. The principles from the relevant Standards of GRAP are applied in accounting for the landfill site and the related rehabilitation provision. Where appropriate, the Guideline also illustrates the accounting for the land in a landfill, the landfill site asset and the related rehabilitation provision.

The effective date of the guideline is for years beginning on or after 01 April 2020.

The municipality expects to adopt the guideline for the first time in the 2019/2020 annual financial statements.

No significant impact is expected as the municipality's current treatment is already in line with the Standard's treatment.

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

2020

2019

### 2. Inventories

Compost	460,960	206,556
Land inventory	2,916,627	2,282,247
Low cost housing	27,215,481	14,039,720
Maintenance materials	10,139,983	10,124,047
Water	162,172	136,594
	<b>40,895,223</b>	<b>26,789,164</b>

#### 2.1 Inventory losses / write-down to net realisable value

Consumable stores materials written down due to damages (annual stock count).	40,417	5,839
Consumable stores materials shortages / (surpluses)	32,745	(87,444)
(Reversal) / write down of inventory to lower of cost or net realisable value	(19,853)	51,167
	<b>53,309</b>	<b>(30,438)</b>

Inventories recognised as an expense during the year

15,950,272

18,176,815

In the prior year inventories were written down to net realisable value. In the current year the write down was reversed, as a new estimate of net realisable value was performed.

#### Inventory pledged as security

No inventory was pledged as security.

### 3. Operating lease asset

#### Gross investment in the lease due

- within one year	1,741,699	1,379,479
- in second to fifth year inclusive	2,062,072	1,480,200
- later than five years	329,622	253,360
	<b>4,133,393</b>	<b>3,113,039</b>

#### Reconciliation operating lease

Balance at the beginning of the year	97,013	102,156
Movement during the year	11,580	(5,142)
<b>Balance at end of year</b>	<b>108,593</b>	<b>97,014</b>

Non-current assets

Current assets	-	-
	<b>108,595</b>	<b>97,014</b>

108,595

97,014

**108,595**

**97,014**

This operating lease income was determined from contracts that have a specific conditional income. It does not include lease income which has a undetermined conditional income. The leases are in respect of land and buildings being leased out.

### 4. Receivables from exchange transactions

Electricity	29,790,222	21,323,393
Other arrears	1,052,583	617,014
Other receivables	14,807,918	12,001,501
Prepayments and advances	125,093	1,144,973
Property rentals	576,329	668,997
Provincial government housing loans - at amortised cost	71,838	-
Receivables with repayment arrangements - at amortised cost	32,419	-

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>4. Receivables from exchange transactions (continued)</b>		
Service connections - at amortised cost	732,254	662,507
Short term instalments	-	330,436
Waste management	3,856,574	2,219,933
Waste water management	4,154,740	2,389,533
Water	8,081,758	4,221,526
	<b>63,281,728</b>	<b>45,579,813</b>
Non-current assets	255,168	390,039
Current assets	63,026,560	45,189,774
	<b>63,281,728</b>	<b>45,579,813</b>

### Receivables from exchange transactions pledged as security

No receivables from exchange transactions were pledged as security.

### Credit quality of receivables from exchange transactions

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of receivables from exchange transactions on initial recognition is not deemed necessary.

Receivables from exchange transactions with a gross total outstanding balance of R12,114,511 (2019: R9,323,498) have arranged to settle their account over a re-negotiated period. The total value has been deferred beyond 12 months after year-end and subsequently included as part of non-current receivables

### Receivables from exchange transactions past due but not impaired

Receivables from exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2020, R 42,212,640 (2019: R 31,774,712) were past due but not impaired.

Receivables from exchange transactions were assessed to determine if any were significant as required by GRAP 104. No debtors were identified to be individually significant for impairment purposes.

The services connections are receivable from various customers. When tested for impairment; management determined; that none of the financial assets are individually significant therefore impairment was performed on a group basis.

The repayment arrangements with consumer debtors are receivable from various customers of the municipality.

When tested for impairment; management determined that none of the financial assets are individually significant therefore impairment was performed on a group basis.

The ageing of amounts past due but not impaired is as follows:

1 month past due	38,354,173	29,606,640
2+ months past due	3,858,467	2,168,102
	<b>42,212,640</b>	<b>31,774,742</b>

### Receivables from exchange transactions impaired

As of 30 June 2020, total receivables from exchange transactions of R 97,524,507 (2019: R 75,880,983) were impaired and provided for.

The total amount of the allowance for impairment was R 32,242,779 as of 30 June 2020 (2019: R 30,301,171).

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

2020 2019

### 4. Receivables from exchange transactions (continued)

#### Reconciliation of receivables from exchange transactions

Gross balance receivables from exchange transactions	97,524,507	75,880,983
Allowance for impairment	(34,242,779)	(30,301,170)
	<u>63,281,728</u>	<u>45,579,813</u>

#### Reconciliation of allowance for impairment of receivables from exchange transactions

Opening balance	(30,301,170)	(29,383,695)
Contribution to allowance for impairment	(3,941,609)	(917,475)
	<u>(34,242,779)</u>	<u>(30,301,170)</u>

#### The total amount of this impairment allowance consists of:

Electricity	2,286,066	3,271,775
Water	6,027,597	5,351,745
Waste management	4,940,528	4,246,773
Waste water management	6,219,922	5,348,397
Other debtors	2,722,635	2,758,971
Receivables with repayment arrangement	12,046,031	9,323,509
	<u>34,242,779</u>	<u>30,301,170</u>

None of these debtors have been pledged as collateral for loans.

The municipality holds consumer deposits and guarantees in lieu of water and electricity as security for non-payment. See note 18 for more detail.

Concentrations of credit risk with respect to receivables from exchange transactions are limited due to the municipality's large number of customers. The municipality's historical experience in collection of trade receivables falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's receivables.

There are no receivables from exchange transactions which are subject to any restrictions.

### 5. Receivables from exchange transactions ageing

#### Gross balances

Electricity	32,076,288	24,595,168
Other arrears	2,992,942	2,589,678
Other receivables	14,807,918	12,001,501
Prepayments and advances	125,093	1,144,973
Provincial government housing loans - at amortised cost	71,838	-
Property rental	1,358,605	1,455,305
Receivables with repayment arrangements - at amortised cost	12,078,450	9,323,498
Service connections - at amortised cost	732,254	662,517
Waste management	8,797,102	6,466,706
Short term instalments	-	330,436
Waste water management	10,374,662	7,737,930
Water	14,109,355	9,573,271
	<u>97,524,507</u>	<u>75,880,983</u>

#### Less: allowance for impairment

Electricity	(2,286,066)	(3,271,775)
Other arrears	(1,940,359)	(1,972,664)

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

2020

2019

### 5. Receivables from exchange transactions ageing (continued)

Property rental	(782,276)	(786,308)
Receivables with repayment arrangements - at amortised cost	(12,046,031)	(9,323,508)
Waste management	(4,940,528)	(4,246,773)
Waste water management	(6,219,922)	(5,348,397)
Water	(6,027,597)	(5,351,745)
	<b>(34,242,779)</b>	<b>(30,301,170)</b>

### Net balance

Electricity	29,790,222	21,323,393
Other arrears	1,052,583	617,014
Other receivables	14,807,918	12,001,501
Prepayments and advances	125,093	1,144,973
Provincial government housing loans - at amortised cost	71,838	-
Property rental	576,329	668,997
Receivables with repayment arrangements - at amortised cost	32,419	-
Service connections - at amortised cost	732,254	662,507
Waste management	3,856,574	2,219,933
Short term instalments	-	330,436
Waste water management	4,154,740	2,389,533
Water	8,081,758	4,221,526
	<b>63,281,728</b>	<b>45,579,813</b>

### Electricity

Current (0 -30 days)	27,109,120	21,240,547
31 - 60 days	1,646,700	716,044
61 - 90 days	610,400	494,882
+91 days	2,710,067	2,143,696
	<b>32,076,287</b>	<b>24,595,169</b>

### Water

Current (0 -30 days)	5,907,151	3,932,237
31 - 60 days	877,118	564,402
61 - 90 days	710,176	377,089
+91 days	6,614,910	4,699,543
	<b>14,109,355</b>	<b>9,573,271</b>

### Waste water management

Current (0 -30 days)	2,455,681	2,053,547
31 - 60 days	667,655	412,957
61 - 90 days	520,629	336,781
+90 days	6,730,696	4,934,645
	<b>10,374,661</b>	<b>7,737,930</b>

### Waste management

Current (0 -30 days)	2,274,475	1,907,563
31 - 60 days	597,522	376,890
61 - 90 days	461,596	308,607
+90 days	5,463,508	3,873,646
	<b>8,797,101</b>	<b>6,466,706</b>

### Other arrears

Current (0 -30 days)	391,420	397,986
31 - 60 days	23,609	38,623

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>5. Receivables from exchange transactions ageing (continued)</b>		
61 - 90 days	31,414	28,765
+90 days	2,546,499	2,454,740
	<b>2,992,942</b>	<b>2,920,114</b>
<b>Property rental</b>		
Current (0 -30 days)	216,325	216,976
31 - 60 days	45,862	59,187
61 - 90 days	47,039	105,357
91 - 120 days	1,049,379	1,073,785
	<b>1,358,605</b>	<b>1,455,305</b>
<b>6. Receivables from non-exchange transactions</b>		
Accrued income	3,341	-
Accrued interest	229,449	673,899
Administration cost	410,263	278,737
Availability charges	745,427	432,120
District municipality	434,783	-
Fines	458,443	303,107
Insurance claims	648,942	-
Other	405,824	159,201
Property rates	5,262,920	3,804,261
Security deposits	6,907,975	4,564,975
Provincial Government Housing Loans - at amortised cost	161,054	382,455
Staff bursaries and other advances - at amortised cost	196,220	198,479
	<b>15,864,641</b>	<b>10,797,234</b>
Non-current assets	341,803	561,269
Current assets	15,522,838	10,235,965
	<b>15,864,641</b>	<b>10,797,234</b>

**Included in receivables from non-exchange transactions are the following statutory receivables:**

Property rates	15,620,678	12,726,548
Fines	6,158,100	4,002,016
Allowance for impairment of receivables	(16,057,415)	(12,621,195)
	<b>5,721,363</b>	<b>4,107,369</b>

Refer to note 68 for GRAP 108 disclosure on statutory receivables

### Receivables from non-exchange transactions pledged as security

No receivables from non-exchange transactions were pledged as security.

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

2020 2019

### 6. Receivables from non-exchange transactions (continued)

#### Credit quality of receivables from non-exchange transactions

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of receivables from non-exchange transactions on initial recognition is not deemed necessary.

Receivables from non-exchange transactions with a total outstanding balance of R1,875,524 (2019: R1,499,436) have arranged to settle their account over a re-negotiated period. The total value has been deferred beyond 12 months after year-end and subsequently included as part of non-current receivables.

#### Receivables from non-exchange transactions past due but not impaired

Receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2020, R 3,798,704 (2019: R 2,923,054) were past due but not impaired.

Receivables from non-exchange transactions were assessed to determine if any were significant as required by GRAP 104. No debtors were identified to be individually significant for impairment purposes.

The ageing of amounts past due but not impaired is as follows:

#### 1 month past due

1 month past due	3,349,365	2,714,395
2+ months past due	449,339	208,659
	<b>3,798,704</b>	<b>2,923,054</b>

#### Receivables from non-exchange transactions impaired

As of 30 June 2020, total receivables from non-exchange transactions of R 40,322,773 (2019: R 31,194,704) were impaired and provided for.

The amount of the allowance for impairment of receivables from non-exchange transactions was R 24,458,132 as at 30 June 2020 (2019: R20,397,470).

#### Reconciliation of receivables from non-exchange transactions

Gross balance receivables from non-exchange transactions	40,322,773	31,194,704
Allowance for impairment of non-exchange receivables	(24,458,132)	(20,397,470)
	<b>15,864,641</b>	<b>10,797,234</b>

#### Reconciliation of allowance for impairment of receivables from non-exchange transactions

Balance at beginning of year	(20,397,471)	(17,864,798)
Contribution to impairment allowance	(4,060,662)	(2,532,672)
	<b>(24,458,133)</b>	<b>(20,397,470)</b>

#### The total amount of this allowance consists of:

Fines	5,699,657	3,698,909
Property rates	10,357,758	8,922,286
Availability charges	6,525,193	6,276,839
Arrangements	1,875,524	1,499,436
	<b>24,458,132</b>	<b>20,397,470</b>

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

2020

2019

### 6. Receivables from non-exchange transactions (continued)

Concentrations of credit risk with respect to receivables from non-exchange transactions are limited due to the municipality's large number of customers. The municipality's historical experience in collection of receivables from non-exchange transactions falls within recorded allowances. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's receivables from non-exchange transactions.

There are no receivables from non-exchange transactions which are subject to any restrictions.

The municipality does not hold any assets for collateral for receivables from non-exchange transactions.

### 7. Receivables from non-exchange transactions ageing

#### Gross balance

Property Rates	15,620,678	12,726,547
Fines	6,158,100	4,002,016
Other	2,489,876	1,692,771
Availability charges	7,270,620	6,708,959
Arrangements	1,875,524	1,499,436
Security deposits	6,907,975	4,564,975
	<b>40,322,773</b>	<b>31,194,704</b>

#### Less: allowance for impairment

Property Rates	(10,357,758)	(8,922,286)
Fines	(5,699,657)	(3,698,909)
Availability charges	(6,525,193)	(6,276,839)
Arrangements	(2,098,521)	(1,499,436)
	<b>(24,681,129)</b>	<b>(20,397,470)</b>

#### Net balance

Property Rates	5,262,920	3,384,277
Fines	458,443	303,107
Other	2,489,876	1,692,771
Availability charges	745,427	852,104
Security deposits	6,907,975	4,564,975
	<b>15,864,641</b>	<b>10,797,234</b>

#### Property Rates

Current (0-30 days)	3,349,365	2,714,395
31 - 60 days	449,339	208,659
61 - 90 days	290,925	169,085
+90 days	11,531,049	9,634,407
	<b>15,620,678</b>	<b>12,726,546</b>

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

2020 2019

### 8. VAT receivable

VAT	1,518,864	1,470,581
-----	-----------	-----------

### VAT payable

VAT payable	19,496,148	636,279
VAT output suspense	11,603,951	8,978,109
Less: allowance for impairment of receivables	(5,353,658)	(4,796,387)
	<b>25,746,441</b>	<b>4,818,001</b>

### VAT receivable

VAT receivable	20,142,074	94,344
VAT input in suspense	7,123,230	6,194,240
	<b>27,265,304</b>	<b>6,288,584</b>

VAT is accounted for on the payments basis. VAT is paid over to SARS based on cash payments made and received.

### 9. Cash and cash equivalents

The Municipality does not have a bank overdraft facility as management did not deem it necessary to have an overdraft facility in place. The total cash and cash equivalents which consist of the following are available for use:

Cash on hand	11,000	10,300
Call deposits and investments	104,960,632	130,051,054
Other cash and cash equivalents	96,001,975	24,642,305
	<b>200,973,607</b>	<b>154,703,659</b>

Short term investments are invested over periods from 0 to 3 months. The municipality have the following call deposits and investments:

- ABSA Bank - Invested for 70 days - Interest rate @ 4.68% pa - Maturity date - 2020/08/18
- Nedbank - Invested for 85 days - Interest rate @ 4.62% pa - Maturity date - 2020/09/02
- ABSA depositor plus - call at variable interest rate

### The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2020	30 June 2019	30 June 2018	30 June 2020	30 June 2019	30 June 2018
ABSA Bank - primary bank account - 1050 000 008	94,627,839	23,692,245	18,694,120	96,001,974	24,642,305	19,089,790
Investec Private Bank - Call account - 1 100 458 195 450	-	35,000,000	35,000,000	-	35,000,000	35,000,000
Nedbank - Call account - 03-7881034971-000064	40,000,000	35,000,000	35,000,000	40,000,000	35,000,000	35,000,000
Standard Bank - Call account - 28 847 690 5-004	-	35,000,000	35,000,000	-	35,000,000	35,000,000
Depositor Plus - 92 99946707	24,960,632	25,051,054	25,034,742	24,960,632	25,051,054	25,034,742
ABSA Bank Limited - Call account - 20 792 043 550	40,000,000	-	-	40,000,000	-	-
<b>Total</b>	<b>199,588,471</b>	<b>153,743,299</b>	<b>148,728,862</b>	<b>200,962,606</b>	<b>154,693,359</b>	<b>149,124,532</b>

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

2020 2019

### 10. Investment property

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and buildings	30,218,581	(2,178,475)	28,040,106	30,498,581	(1,912,160)	28,586,421

#### Reconciliation of investment property - 2020

	Opening balance	Disposals	Transfer to inventory	Impairments	Depreciation	Total
Land and buildings	28,586,421	(4,220)	(275,780)	(208,379)	(57,936)	28,040,106

#### Reconciliation of investment property - 2019

	Opening balance	Additions	Disposals	Transfer to inventory	Depreciation	Total
Land and buildings	28,732,321	201,841	(18,000)	(278,873)	(50,868)	28,586,421

#### Pledged as security

No investment property was pledged as security.

A register containing the information required by section 63 of the MFMA is available for inspection at the registered office of the municipality.

#### Maintenance of investment property

##### The following maintenance costs were incurred:

Repairs and maintenance	1,234,056	90,367
Other operating expenditure	2,156,379	3,717,252
	<b>3,390,435</b>	<b>3,807,619</b>

#### Revenue from investment property

Rental revenue from investment property	1,532,224	1,619,767
---	-----------	-----------

There is no investment property which is in the process of being constructed or developed.

There is no investment property that is taking a significantly longer period of time to complete than expected.

There is no investment property where construction or development has been halted.

There are no restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal.

There are no contractual obligations to purchase, construct or develop investment property or for the repairs, maintenance or enhancements thereof.

There are no investment property disclosed which are either owner occupied or held for sale in the ordinary cause of operations.

## Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

---

## Figures in Rand

## 11. Property, plant and equipment

	2020		2019			
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Cost / Valuation	Accumulated depreciation and accumulated impairment		
Buildings	59,196,825	(9,763,933)	49,432,892	59,203,195	(9,136,187)	50,067,008
Community	127,402,509	(27,865,336)	99,537,173	127,746,790	(25,235,509)	102,511,281
Furniture and fixtures	9,635,963	(5,985,571)	3,650,392	9,218,739	(5,407,644)	3,811,095
IT equipment	19,632,663	(10,523,264)	9,109,399	16,429,271	(8,855,974)	7,573,297
Infrastructure	780,642,027	(233,602,441)	547,039,586	716,304,965	(215,215,125)	501,089,840
Finance lease assets	4,022,165	(2,050,910)	1,971,255	3,775,257	(1,185,659)	2,589,598
Motor vehicles	45,992,369	(20,896,447)	25,095,922	48,249,666	(19,365,238)	28,884,428
Other property, plant and equipment	4,055,182	(388,488)	3,666,694	4,013,246	(368,890)	3,644,356
Plant and machinery	17,459,689	(10,465,494)	6,994,195	16,992,230	(9,609,867)	7,382,363
Specialised vehicles	5,538,317	(3,213,685)	2,324,632	5,538,317	(2,987,702)	2,550,615
<b>Total</b>	<b>1,073,577,709</b>	<b>(324,755,569)</b>	<b>748,822,140</b>	<b>1,007,471,676</b>	<b>(297,367,795)</b>	<b>710,103,881</b>

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

### 11. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	WIP finalised	Disposals / transfer cost	Cost adjustments	Depreciation	Disposals / transfer depreciation	Depreciation adjustment	Impairment loss	Disposal / transfer impairment	Total
Buildings	50,067,008	44,824	(15,088)	(24,091)	(12,015)	(627,746)	-	-	-	-	49,432,892
Community	102,511,281	1,026,274	(651,387)	(13,393)	(705,775)	(2,629,827)	-	-	-	-	99,537,173
Furniture and fixtures	3,811,095	475,270	-	-	-	(590,149)	-	(33,593)	(12,231)	-	3,650,392
IT equipment	7,573,297	3,063,722	-	(8,650)	148,320	(1,592,952)	3,816	(66,218)	(11,936)	-	9,109,399
Infrastructure	501,089,840	95,036,433	(29,072,864)	(3,211,312)	1,591,663	(19,213,861)	820,939	-	(2,398,483)	2,397,231	547,039,586
Finance lease assets	2,589,598	520,871	-	(125,643)	(148,320)	(1,015,839)	84,370	66,218	-	-	1,971,255
Motor vehicles	28,884,428	-	-	(2,315,344)	-	(2,458,051)	1,023,689	33,593	(72,393)	-	25,095,922
Other property, plant and equipment	3,644,356	41,935	-	-	-	(19,597)	-	-	-	-	3,666,694
Plant and machinery	7,382,363	641,368	-	(173,908)	-	(947,190)	110,370	-	(18,808)	-	6,994,195
Specialised vehicles	2,550,615	-	-	-	-	(225,983)	-	-	-	-	2,324,632
	<b>710,103,881</b>	<b>100,850,697</b>	<b>(29,739,339)</b>	<b>(5,872,341)</b>	<b>873,873</b>	<b>(29,321,195)</b>	<b>2,043,184</b>	<b>-</b>	<b>(2,513,851)</b>	<b>2,397,231</b>	<b>748,822,140</b>

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

### 11. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	WIP finalised	Disposal / transfer cost	Cost adjustment	Depreciation	Disposal / transfer depreciation	Impairment loss	Total
Buildings	49,632,186	2,997,655	(1,902,913)	(81,611)	-	(578,309)	-	-	50,067,008
Community	91,855,247	15,577,849	(2,074,844)	(532,569)	(561,000)	(1,863,218)	119,618	(9,802)	102,511,281
Furniture and fixtures	3,994,082	547,266	-	(816,501)	-	(712,852)	814,435	(15,335)	3,811,095
IT equipment	8,155,739	642,134	-	(26,287)	-	(1,201,207)	18,322	(15,404)	7,573,297
Infrastructure	445,062,202	60,139,244	10,307,615	(84,717)	2,006,995	(16,391,585)	50,086	-	501,089,840
Finance lease assets	880,980	2,139,840	-	-	-	(431,222)	3,347	(3,347)	2,589,598
Motor vehicles	28,178,662	3,059,018	-	(78,939)	-	(2,332,792)	69,389	(10,910)	28,884,428
Other property, plant and equipment	4,462,106	-	-	(130,000)	(668,500)	(19,250)	-	-	3,644,356
Plant and machinery	5,413,498	2,837,559	-	(37,064)	-	(832,415)	17,301	(16,516)	7,382,363
Specialised vehicles	2,775,981	-	-	-	-	(225,366)	-	-	2,550,615
	<b>640,410,683</b>	<b>87,940,565</b>	<b>6,329,858</b>	<b>(1,787,688)</b>	<b>777,495</b>	<b>(24,588,216)</b>	<b>1,092,498</b>	<b>(71,314)</b>	<b>710,103,881</b>

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

2020 2019

### 11. Property, plant and equipment (continued)

#### Pledged as security

A bond is registered against the Ashton Town Hall in favour of the Development Bank of South Africa as security for the following loans:

- Vehicle Testing Station
- Paving

#### Effect of changes in accounting estimates

	2020	2021	2022
Effect on property, plant and equipment	1,048,826	1,048,826	1,048,826

#### Contractual commitments for acquisition of property, plant and equipment

##### Including VAT

Infrastructure	50,276,903	33,424,016
Community	1,007,470	753,025
Other	302,057	1,339,399
	<b>51,586,430</b>	<b>35,516,440</b>

##### Excluding VAT

Infrastructure	43,719,048	29,064,362
Community	877,914	654,804
Other	262,658	1,215,691
	<b>44,859,620</b>	<b>30,934,857</b>

#### Property, plant and equipment in the process of being constructed or developed

##### Accumulative expenditure recognised in the carrying value of property, plant and equipment

Roads	35,215,747	11,981,516
Electricity	15,360,286	9,374,000
Sanitation	351,853	-
Solid waste	23,570	1,150
Community assets	15,813	292,312
Other assets	25,825	-
	<b>50,993,094</b>	<b>21,648,978</b>

The following projects were paused due to COVID 19 and will take a significantly longer period of time to complete:

Purchase of flow meters, purchase of skips, upgrading of Ashton MRF as well as the rehabilitation of existing tar roads in 5 towns.

#### Reconciliation of work-in-progress

Community assets	15,813	292,312
Infrastructure assets	50,951,456	21,356,666
Other assets	25,825	-
	<b>50,993,094</b>	<b>21,648,978</b>

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

2020

2019

### 11. Property, plant and equipment (continued)

**The movements for the year can be reconciled as follows:**

Opening balance	21,648,978	15,319,121
Expenditure during the year	59,083,455	12,659,715
Assets unbundled during the year	(29,739,339)	(6,329,858)
	<b>50,993,094</b>	<b>21,648,978</b>

#### Expenditure incurred to repair and maintain property, plant and equipment

Contracted services	6,371,710	7,715,453
Other expenditure	276	653,554
Sale of goods / inventory	12,572,048	10,166,182
	<b>18,944,034</b>	<b>18,535,189</b>

An amount of R740,716 (2019: R781,778) was received as insurance refunds for losses on property, plant and equipment.

#### Funding of property, plant and equipment acquisitions

	Funding type		
<b>Additions to property, plant and equipment was funded from the following sources:</b>			
<b>Property, plant and equipment</b>			
Infrastructure, community and other	External loans	3,904,864	21,277,542
Infrastructure, community and other	Capital replacement reserve	23,294,561	8,056,167
Infrastructure, community and other	Government grants	24,372,799	6,182,731
Infrastructure, community and other	District Council grant	14,208	-

Langeberg Municipality does not have a costing system in place in order to allocate employee related costs to repairs and maintenance. A register containing the information required by section 63 of the MFMA is available for inspection at the registered office of the municipality.

### 12. Intangible assets

	2020			2019		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	964,125	-	964,125	964,125	-	964,125
Servitudes	53,000	-	53,000	53,000	-	53,000
<b>Total</b>	<b>1,017,125</b>	-	<b>1,017,125</b>	<b>1,017,125</b>	-	<b>1,017,125</b>

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

2020

2019

### 12. Intangible assets (continued)

#### Reconciliation of intangible assets - 2020

	Opening balance	Total
Computer software	964,125	964,125
Servitudes	53,000	53,000
	<b>1,017,125</b>	<b>1,017,125</b>

#### Reconciliation of intangible assets - 2019

	Opening balance	Additions	Total
Computer software	852,125	112,000	964,125
Servitudes	53,000	-	53,000
	<b>905,125</b>	<b>112,000</b>	<b>1,017,125</b>

#### Pledged as security

No intangible assets were pledged as security.

#### Material intangible assets included in the carrying value:

Internal audit and risk management software	507,307	393,121
Omron Scada software - vehicle testing	3,018	-
Other intangible assets	218,454	459,004
Servitude Bonnievale	53,000	53,000
Software Bytes NBD	100	-
Website costs	235,246	112,000
	<b>1,017,125</b>	<b>1,017,125</b>

All of the above intangible assets have an indefinite life.

#### Intangible assets in the process of being constructed or developed

There are no intangible assets which is in the process of being constructed or developed.

There are no intangible assets that is taking a significantly longer period of time to complete than expected.

There are no intangible assets where construction or development has been halted.

There are no contractual commitments for the acquisition of intangible assets.

#### Restricted title

There are no intangible assets whose title is restricted.

#### Effect of change of accounting policy

Amortisation	-	129,216
Accumulated amortisation	-	442,236

The useful life of computer software and servitudes is considered to be indefinite. It is not bound by any expiry period as there is no foreseeable limit to the period over which the asset is expected to be used by the municipality.

There are no indications of impairment of any of these assets.

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

2020

2019

### 12. Intangible assets (continued)

There are no internally generated intangible assets at reporting date.

### 13. Heritage assets

	2020			2019		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Historical monuments	664,448	(389,000)	275,448	664,448	(389,000)	275,448

#### Reconciliation of heritage assets 2020

	Opening balance	Total
Historical monuments	275,448	275,448

#### Reconciliation of heritage assets 2019

	Opening balance	Additions	Total
Historical monuments	260,000	15,448	275,448

#### Assets declared as heritage assets

According to the South African Heritage Resources Agency, the following assets are declared as heritage sites. However, Langeberg Municipality classifies such assets as follows based on their use:

- Montagu Municipal Offices - Administrative Use - Property, plant and equipment
- Hofmeyer Hall - Community Hall - Property, Plant and equipment
- McGregor Municipal Offices - Mixed Use - Investment property
- Robertsons Old Library - Administrative Use - Property, Plant and equipment

#### Restrictions on heritage assets

There are no restrictions on the realisability of heritage assets or the remittance of revenue and proceeds of disposal.

#### Pledged as security

No heritage assets were pledged as security.

#### Contractual commitments for the acquisition, maintenance and restoration of heritage assets

There are no contractual obligations to purchase, construct or develop heritage assets or for repairs, maintenance or enhancements.

#### Heritage assets used for more than one purpose

There are no heritage assets that are used by the municipality for more than one purpose.

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

2020 2019

### 13. Heritage assets (continued)

#### Other information

The Museum collapsed on 26 August 2014 when maintenance work was done by a contractor. The municipality instituted legal proceedings against the contractor to recover costs to reinstate the building.

### 14. Other financial assets (investments)

Investments - shares	72,499	118,944
----------------------	--------	---------

#### Non-current assets

At amortised cost	72,499	118,944
-------------------	--------	---------

#### Financial assets

##### Investments

Financial assets are recognised at the following hierarchy:

- Level 1 - represents those assets which are measured using unadjusted quoted prices in active markets for identical assets.

Listed shares are held in public companies. No specific maturity dates and interest rates are applicable to those shares.  
Listed investments represent 270 Sanlam shares, 685 Distell shares.

The market value per share at year end: Sanlam shares R58.94 (2019: R78.16).  
The market value per share at year end: Distell shares R76.30 (2019: R129.70)

Unlisted investments comprise 1309 Hosken Passenger Logistics & Retail Ltd shares held at fair value, available for sale.

Valuations of investments supplied by council are:

The market value per share at year end: Hosken Passenger Logistics & Retail Ltd R3.30 (2019: R-).  
The market value per share at year end: La Concorde Holdings Ltd R- (2019: R3.25)

The share prices are publicly available and is not appended on valuations.

Dividends earned on listed and unlisted shares for the year.	1,658	2,623
--	-------	-------

#### Current operating lease asset

##### Gross investment in the lease due

- within one year	1,741,699	1,379,479
- in second to fifth year inclusive	2,062,072	1,480,200
- later than five years	329,622	253,360
	<b>4,133,393</b>	<b>3,113,039</b>

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

2020 2019

### 15. Long-term borrowings

#### At amortised cost

Annuity Loans	43,846,523	13,840,544
---------------	------------	------------

No borrowings were in default during the financial year.

There are no borrowings which are subject to any restrictions.

#### Non-current liabilities

At amortised cost	39,782,572	11,456,958
-------------------	------------	------------

#### Current liabilities

At amortised cost	4,063,951	2,383,586
-------------------	-----------	-----------

#### Obligations under annuity loans are shown below:

The municipality have the following annuity loans:

- DBSA @ 8.81% redeemable on 31 December 2020
- DBSA @ 10.15% redeemable on 31 December 2020
- DBSA @ 9.68% redeemable on 31 December 2024
- DBSA @ 9.68% redeemable on 31 December 2027
- Standard Bank @ 10.52% redeemable on 30 June 2034

#### Amounts payable under annuity loans

Payable within one year	8,341,878	3,779,968
Payable within two to five years	35,167,531	11,193,619
Payable after five years	28,625,220	3,343,000
Less: future finance obligations	(28,288,106)	(4,476,042)
<b>Present value of annuity loans obligations</b>	<b>43,846,523</b>	<b>13,840,545</b>

Assets pledged as security:

A mortgage bond is registered on the Ashton Town Hall in favour of the Development Bank of South Africa as security for the following loans:

- Vehicle testing station
- Paving

### 16. Finance lease obligation

#### Minimum lease payments due

- within one year	1,121,424	1,211,061
- payable within two to five years	882,353	2,003,777
Less: future finance obligations	2,003,777	3,214,838
	(205,972)	(995,492)
<b>Present value of minimum lease payments</b>	<b>1,797,805</b>	<b>2,219,346</b>

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

2020

2019

### 16. Finance lease obligation (continued)

Non-current liabilities	833,141	1,403,851
Current liabilities	964,664	815,495
	<b>1,797,805</b>	<b>2,219,346</b>

The capitalised lease liability consist out of the following contracts:

Supplier	Item nr	Serial nr	Item leased	Lease term months	Maturity date
Sasfin	1	V3L6606303/09	Copy machine	36	25/02/2020
Sasfin	2	LW16220247/15Y0567	Copy machine	36	27/07/2019
	6				
Sasfin	3	A44163500019	Telephone system	36	25/01/2020
Sasfin	4	Radio links 23 units	Netlink console	36	25/09/2019
Sasfin	5	Z1149000GB	Telephone system	36	01/11/2020
Sasfin	6	SQ966456ZA	Telephone system	36	25/06/2021
Sasfin	7	VCG8164312	Copy machine	36	25/11/2021
Sasfin	8	12 Task Alfa 5052ci units	Copy machine	36	25/03/2022
Sasfin	9	VCG8164308	Copy machine	36	25/03/2022
Konica Minolta	10	B367 2 units A7 series	Copy machine	36	25/03/2022
Konica Minolta	11	B287 16 units A7 series	Copy machine	36	25/03/2022
Vodacom	12	15 Tablets for Councillors	Tablets	24	01/10/2018
Vodacom	13	8 Tablets for Councillors	Tablets	24	01/12/2018
Bytes Document Solutions	14	Xerox WO3345 4 units	Copy machine	36	25/03/2022
Bytes Document Solutions	15	Veralink B7025 5 units	Copy machine	36	25/03/2022
Sasfin	16	VCG8Y01994	Copy machine	36	25/07/2022
Sasfin	17	Z493829884A	Telephone system	36	25/09/2022
Outsource Telecoms Pty Ltd	18	439554/43971/43972	Copy machine	36	25/06/2021
Sasfin	19	VCG9734308	Copy machine	36	25/10/2022
Sasfin	20	VCG9114041	Copy machine	36	25/01/2023
Sasfin	21	Z49332S0044	Telephone system	36	25/03/2023
Sasfin	22	VCG92533578	Copy machine	36	25/04/2023
Sasfin	23	VCG9253633	Copy machine	36	25/04/2023

The above finance leases have no escalation over the period of the lease.

After the initial period the finance leases will continue indefinite until terminated by either party with a 30 day notice period.

Hire purchases and leases are secured by property, plant and equipment.

### Defaults and breaches

No finance leases were in default during the financial year.

There are no finance leases which are subject to any restrictions.

### 17. Payables from exchange transactions

Trade payables	53,414,637	48,615,188
Payments received in advance	5,682,251	4,663,060
Other payables	15,486	967,685
Retentions	6,519,151	4,548,160
Deposits	11,874,841	11,466,981

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>17. Payables from exchange transactions (continued)</b>	<b>77,506,366</b>	<b>70,261,074</b>

Payables from exchange transactions are recognised net of any discount.

Payables are paid within 30 days as prescribed by the MFMA. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation and discounting of payables from exchange transactions on initial recognition is thus not deemed necessary.

The carrying value of payables from exchange transactions approximates its fair value.

Sundry deposits include hall, builders and other general deposits.

No financial assets have been pledged as collateral for receivables from exchange transactions.

### 18. Consumer deposits

Guarantees held in lieu of electricity and water deposits	2,414,449	2,414,449
Municipal services	12,416,552	12,214,563
Posters	13,311	13,311
Building plans	296,346	296,346
	<b>12,726,209</b>	<b>12,524,220</b>

The fair value of consumer deposits approximate their carrying value. Interest is not paid on these amounts.

### 19. Employee benefit obligations

#### Current employee benefits

Performance bonuses	919,219	815,109
Staff bonuses	5,401,231	4,760,850
Staff leave	11,770,231	10,143,082
Current portion of post-retirement benefit plan	2,245,139	1,217,715
Current portion of long service award	1,687,000	1,322,000
	<b>22,022,820</b>	<b>18,258,756</b>

The municipality applied to SALGA for exemption for the 2019/2020 salary increases.

#### Performance bonuses

Performance bonuses are being paid to the Municipal Manager and Directors after an evaluation of performance by the Council. There is no possibility of reimbursement.

Balance at beginning of year	815,109	433,989
Contribution to current portion	837,438	738,831
Expenditure incurred	(733,328)	(357,711)
	<b>919,219</b>	<b>815,109</b>

#### Staff bonuses

Bonuses are being paid to all municipal staff, excluding section 57 employees. The balance at year end represent the portion of the bonus that have already vested for the current salary cycle. There is no possibility of reimbursement.

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

2020 2019

### 19. Employee benefit obligations (continued)

Balances at the beginning of year	4,760,650	4,532,480
Contribution to current portion	9,485,492	8,940,171
Expenditure incurred	(8,844,911)	(8,712,000)
	<b>5,401,231</b>	<b>4,760,651</b>

#### Staff leave

Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave. There is no possibility of reimbursement.

Balance at beginning of year	10,143,082	9,294,129
Contribution to current portion	6,868,882	5,827,339
Expenditure incurred	(5,241,733)	(4,978,385)
	<b>11,770,231</b>	<b>10,143,083</b>

#### Employee benefit obligation

**Employee benefit obligations are recognised in the statement of financial position as follows:**

##### Carrying value

Present value of the defined benefit obligation-wholly unfunded	(75,297,681)	(76,605,426)
Non-current liabilities	(53,274,861)	(58,346,870)
Current liabilities	(22,022,820)	(18,258,556)
	<b>(75,297,681)</b>	<b>(76,605,426)</b>

#### Non-current employee benefits

Post-retirement benefit plan	42,805,862	47,053,870
Long service award	10,469,000	11,293,000
	<b>53,274,862</b>	<b>58,346,870</b>

#### Defined benefits are:

##### Long service awards:

Balance 1 July	12,615,000	10,633,381
Contribution for the year	1,154,000	889,347
Interest cost	981,000	837,472
Expenditure for the year	(1,238,210)	(1,328,027)
Actuarial loss / (gain)	(1,355,790)	2,615,533
Correction of error	-	(1,032,706)
Transfer of current portion	(1,687,000)	(1,322,000)
	<b>10,469,000</b>	<b>11,293,000</b>

#### Post-retirement medical contribution

Balance 1 July	48,271,585	53,056,050
----------------	------------	------------

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

2020

2019

### 19. Employee benefit obligations (continued)

Contribution for the year	1,751,388	2,085,290
Interest cost	4,368,093	4,985,294
Expenditure for the year	(2,245,139)	(2,082,647)
Actuarial loss / (gain)	(7,094,926)	(9,772,402)
Transfer of current portion	(2,245,139)	(1,217,715)
	<b>42,805,862</b>	<b>47,053,870</b>

An actuarial valuation has been performed of the liability in respect of the post-employment medical aid subsidy to employees and retirees of Langeberg Municipality and to their registered dependants by ARCH actuarial consulting.

The effective date of this valuation is 30 June 2020 and its purpose is to enable the Municipality to provide appropriate disclosure in their Financial Statements in respect of this liability.

The post-retirement medical contributions are regarded as a defined benefit, of which the members are made up as follows:

In-service members	200	188
In-service non-members	509	525
Continuation members	67	64
	<b>776</b>	<b>777</b>

Continuation members includes retirees, widows, orphans.

The liability in respect of past service has been estimated to be as follows:

In-service members	14,687,000	17,062,165
In-service non-members	4,773,000	5,540,106
Continuation members	25,591,000	25,669,313
	<b>45,051,000</b>	<b>48,271,584</b>

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2018	2017	2016
In-service members	26,932,914	25,602,644	25,242,938
In-service non-members	4,689,272	4,533,937	4,820,764
Continuation members	21,433,864	21,973,279	21,349,268
	<b>53,056,050</b>	<b>52,109,860</b>	<b>51,412,970</b>

Experience adjustments were calculated as follows:

	2020	2019	2018	2017	2016
Liabilities: (gains) / loss	1,430,000	34,000	-1,247,000	956,000	-3,558,000

The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:

- Bonitas
- Hosmed
- LA Health
- Key Health
- SAMWU Medical Aid

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

2020

2019

### 19. Employee benefit obligations (continued)

The current-service cost for the ensuing year is estimated to be R1 423 000, whereas the interest cost for the next year is estimated to be R4 418 000.

#### Key assumptions used

The projected unit credit method has been used to value the liabilities.

The liability for eligible employees is accrued over their expected working lifetimes. The average expected remaining working-lifetime of eligible employees is 19.3 years.

#### Rate of interest:

Discount rate	10.08 %	9.26 %
Health-care cost inflation rate	6.19 %	6.77 %
Net effective discount rate	3.66 %	2.33 %
Maximum subsidy inflation rate	4.27 %	4.70 %

The discount rate used is a composite of all government bonds and calculated using a technique known as "bootstrapping"

#### Mortality rates:

The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.

#### Normal retirement age:

It has been assumed that employees will retire at age 62 on average, which then implicitly allows for expected rates of ill-health and early retirement.

#### Expected rate of salary increases:

2018/2019: 7% + additional 0,5% for employees who earn a basic salary of R9 000 or less.

The three-year salary and wage collective agreement ends on 30 June 2021.

#### The amounts recognised in the Statement of Financial Position

Present value of wholly unfunded obligation	45,051,001	48,271,585
---	------------	------------

#### Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	48,271,585	53,056,050
Current service cost	1,751,388	2,085,290
Interest cost	4,368,093	4,985,294
Benefits paid	(2,245,135)	(2,082,647)
Actuarial (gains) / losses	(7,094,926)	(9,772,402)
	<b>45,051,005</b>	<b>48,271,585</b>

These unexpected movements, actuarial gains and losses, are separated into four main components:

- the effect of the change in the basis (assumptions)
- unexpected changes in the subsidies
- unpredicted movements in the membership profile, and

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

2020 2019

### 19. Employee benefit obligations (continued)

- the effect of actual benefits vested being different from what was expected.:

#### Sensitivity analysis on the accrued liability on 30 June 2020

Assumption	In-service members	Continuation members	Total liability
Central assumption	19,460,000	25,591,000	45,051,000

The effect of movements in the assumptions are as follows:

Assumption	Change	In-service members	Continuation members	Total liability	% change
Health-care inflation	+1%	21,785,000	26,988,000	48,773,000	8%
Health-care inflation	-1%	16,808,000	23,994,000	40,802,000	-9%
Discount rate	+1%	16,486,000	23,692,000	40,178,000	-11%
Discount rate	-1%	23,241,000	27,789,000	51,030,000	13%
Post-retirement mortality	-1yr	19,913,000	26,433,000	46,346,000	3%
Post-retirement mortality	+1%	18,998,000	24,750,000	43,748,000	-3%
Average retirement age	-1%	21,195,000	25,591,000	46,786,000	4%
Withdrawal rate	-10%	14,466,000	255,910,000	40,057,000	-11%
		<b>152,892,000</b>	<b>435,147,000</b>	<b>315,613,000</b>	

#### Sensitivity Analysis on Current-Service and Interest Cost for the year ending 30 June 2020

Assumption	Change	Current cost	Interest cost	Total
Central assumption		1,751,400	4,368,100	6,119,500

The effect of movements in the assumptions are as follows:

Assumption	Change	Current service cost	Interest cost	Total	% change
Health-care inflation	+1%	1,998,900	4,795,300	6,794,200	11%
Health-care inflation	-1%	1,457,300	3,887,200	5,344,500	-13%
Discount rate	+1%	1,432,800	4,248,500	5,681,300	-7%
Discount rate	-1%	2,171,700	4,490,400	6,662,100	9%
Post-retirement mortality	-1yr	1,797,800	4,513,800	6,311,600	3%
Average retirement age	-1yr	1,803,000	4,550,900	6,353,900	4%
Continuation of membership at retirement	-10%	1,283,400	3,832,200	5,115,600	-16%
		<b>11,944,900</b>	<b>30,318,300</b>	<b>42,263,200</b>	

The effect of movements in the assumptions are as follows:

Assumption	Change	In-service members	Continuation member	Total	% change
Health-care inflation	+1%	21,785,000	26,988,000	48,773,000	8%
Health-care inflation	-1%	16,808,000	23,994,000	40,802,000	-9%
Discount rate	+1%	16,486,000	23,692,000	40,178,000	-11%
Discount rate	-1%	23,241,000	27,789,000	51,030,000	13%
Post-retirement mortality	-1yr	19,913,000	26,433,000	46,346,000	3%
Post-retirement mortality	1%	18,998,000	24,750,000	43,748,000	-3%
Average retirement age	-1%	21,195,000	25,591,000	46,786,000	4%
Withdrawal rate	-10%	14,466,000	255,910,000	40,057,000	-11%

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

2020

2019

### 19. Employee benefit obligations (continued)

152,892,000 204,828,000 357,720,000

#### Sensitivity Analysis on Current-Service and Interest Cost for the year ending 30 June 2019

Assumption		Current service cost	Interest cost	Total
Central assumptions		2,085,300	4,985,300	7,070,600

The effect of movements in the assumptions are as follows:

Assumption	Change	Current service cost	Interest cost	Total	% change
Health-care inflation	+1%	2,322,800	5,399,000	7,721,800	9%
Health-care inflation	-1%	1,779,900	4,491,500	6,271,400	-11%
Discount rate	+1%	1,731,300	487,000	2,218,300	-7%
Discount rate	-1%	2,542,100	5,124,500	7,666,600	8%
Post-retirement mortality	-1yr	2,138,900	5,143,500	7,282,400	3%
Average retirement age	-1yr	2,101,400	5,215,500	7,316,900	3%
Continuation of membership at retirement	-10%	1,525,400	4,287,800	5,813,200	-18%
		14,141,800	30,148,800	44,290,600	

Assumption	Change	In-service members	Continuation members	Total Liability	% change
Health-care inflation	+1%	25,536,000	27,354,000	52,890,000	10%
Health-care inflation	-1%	19,270,000	23,803,000	43,073,000	-11%
Discount rate	+1%	18,885,000	23,621,000	42,506,000	-12%
Discount rate	-1%	27,409,000	28,057,000	55,466,000	15%
Post-retirement mortality	-1yr	23,314,000	26,631,000	49,945,000	3%
Average retirement age	-1%	24,576,000	25,669,000	50,245,000	4%
Withdrawal rate	-10%	16,815,000	25,669,000	42,484,000	-12%
		155,805,000	180,804,000	336,609,000	

#### Sensitivity Analysis on Current-Service and Interest Cost for the year ending 30 June 2021

	Future service cost	Interest cost	Total
Central assumptions	1,423,000	4,418,000	5,841,000

The effect of movements in the assumptions are as follows:

Assumption	Change	Future service cost	Interest cost	Total	% change
Health-care inflation	+1%	1,612,000	4,792,000	6,404,000	10%
Health-care inflation	-1%	1,204,000	3,990,000	5,194,000	-11%
Discount rate	+1%	1,184,000	4,316,000	5,500,000	-6%
Discount rate	-1%	1,737,000	4,522,000	6,259,000	7%
Post-retirement mortality	1%	1,392,000	4,286,000	5,678,000	-3%
Post-retirement mortality	-1yr	1,456,000	4,548,000	6,004,000	3%
Average retirement age	-1yr	1,501,000	4,593,000	6,094,000	4%
Continuation of membership at retirement	10%	1,050,000	3,914,000	4,964,000	-15%
		11,136,000	34,961,000	46,097,000	

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

2020 2019

### 19. Employee benefit obligations (continued)

#### Long Service Award

As at year end, the following employees were eligible for long service awards:

704 713

Key actuarial assumptions used:

Rate of interest

Discount rate	7,39%	8,20%
General salary inflation (long-term)	3,99%	5,58%
Net effective discount rate applied to salary-related long service bonuses	3,27%	2,48%

The projected unit credit method has been used to value the liabilities.

The amounts recognised in the statement of financial position are as follows:

Present value of fund obligations	12,156,000	12,615,000
-----------------------------------	------------	------------

Reconciliation of present value of fund obligation:

Present value of fund obligation at the beginning of the year	12,615,000	10,633,381
Current service cost	1,154,000	889,347
Interest cost	981,000	837,472
Benefits paid	(1,238,210)	(1,328,027)
Actuarial (gains) / loss	-	(1,032,706)
	<b>13,511,790</b>	<b>9,999,467</b>

The liability in respect of periods commencing prior to the comparative year has been estimated as follows:

	2018	2017	2016
Total liability	9,598,000	9,598,000	9,378,000
<b>Experience adjustments were calculated as follows:</b>			
Liabilities: (gain) / loss	(828,294)	218,358	450,083

#### Sensitivity Analysis on the Unfunded Accrued Liability on 30 June 2020

Assumption	Change	Liability	% change
Central assumptions		12,576,000	
General salary inflation	1%	12,952,000	7%
General salary inflation	-1%	11,438,000	-6%
Discount rate	1%	11,419,000	-6%
Discount rate	-1%	12,988,000	7%
Average retirement age	-2yrs	10,688,000	12%
Average retirement age	+2yrs	14,011,000	15%

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

2020

2019

### 19. Employee benefit obligations (continued)

Withdrawal rate	2%	9,814,000	-19%
Withdrawal rate	50%	13,788,000	13%
		<b>109,674,000</b>	

### Sensitivity analysis on current-service and interest cost for the year ending 30 June 2020

Assumption		Current service cost	Interest cost	Total
Central assumption		1,154,000	1,062,100	2,216,100

The effect of movements in the assumptions are as follows:

Assumption	Change	Current service cost	Interest cost	Total	% change
General earnings inflation rate	1%	1,263,000	1,052,000	2,315,000	8%
General earnings inflation rate	-1%	1,058,000	918,000	1,976,000	-7%
Discount rate	1%	1,066,000	1,028,000	2,094,000	-2%
Discount rate	1%	1,255,000	927,000	2,182,000	2%
Average retirement age	+2yrs	1,293,000	1,160,000	2,453,000	15%
Post-retirement mortality	- 2yrs	1,028,000	852,000	1,880,000	-12%
Withdrawal rate	-50%	1,429,000	1,131,000	2,560,000	20%
		<b>8,392,000</b>	<b>7,068,000</b>	<b>15,460,000</b>	

### Sensitivity Analysis on Current-Service and Interest Cost for the year ending 30 June 2021

Assumption		Future service cost	Interest cost	Total
Central assumptions		1,045,000	837,000	1,882,000

The effect of movements in the assumptions are as follows:

Assumption	Change	Future service cost	Interest cost	Total	% change
General earnings inflation rate	1%	1,137,000	896,000	2,033,000	8%
General earnings inflation rate	-1%	961,000	784,000	1,745,000	-7%
Discount rate	1%	969,000	889,000	1,858,000	-1%
Discount rate	-1%	1,130,000	777,000	1,907,000	1%
Average retirement age	+2yrs	1,162,000	972,000	2,134,000	13%
Post-retirement mortality	-2yrs	936,000	729,000	1,665,000	-11%
Withdrawal rate	-50%	1,277,000	958,000	2,235,000	19%
		<b>7,572,000</b>	<b>6,005,000</b>	<b>13,577,000</b>	

### Retirement funds

The Municipality requested detailed employee and pensioner information as well as information on the Municipality's share of the Pension and Retirement Funds' assets from the fund administrator. The fund administrator confirmed that assets of the Pension and Retirement Funds are not split per participating employer. Therefore, the Municipality is unable to determine the value of the plan assets as defined in GRAP 25.

As part of the Municipality's process to value the defined benefit liabilities, the Municipality requested pensioner data from the fund administrator. The fund administrator claims that the pensioner data is confidential and was not willing to share the information with the Municipality. Without detailed pensioner data the Municipality was unable to calculate a reliable estimate of the accrued liability in respect of pensioners who qualify for a defined benefit pension.

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

2020

2019

### 19. Employee benefit obligations (continued)

Therefore, although the Fund is defined as a Multi-employer Fund and it will be accounted for as defined contribution plan. All the required disclosure has been made as defined in GRAP 25.31.

#### LA Retirement Fund (Previously Cape Joint Pension Fund)

	Last actuarial valuation	Total assets	Total liabilities	Contributing members
LA Retirement Fund (Previously Cape Joint Pension Fund)	June 2018	2,018,237	2,018,237	1
Contributions paid recognised in the statement of financial performance			30,182	28,339

The contribution rate payable is 9%, by the members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2018 revealed that the fund has a funding level of 103,7% (30 June 2017: 102,6%).

The contribution rate payable is under the defined benefit section is 27%, 9% by the members and 18% by their councils. The actuarial valuation report at 30 June 2018 disclosed an actuarial valuation amounting to R1,776,181,000 (30 June 2017: R1,859,077,000), with a nett accumulated surplus of R63,423,000 (2017: R46,989,000), with a funding level of 103.7% (30 June 2017: 102.6%).

It is to be noted that :

- The value of assets is the fair value of the net assets of the Fund after deduction of current liabilities and any liabilities arising from the pledging, hypothecation or other encumbering of the assets of the Fund. The actuarial value of the assets is equal to the fair value of the assets.
- Pensioner liabilities include DB deferred member liabilities and a provision for future expenses related to these categories of membership.
- The funding level is determined by dividing the value of the assets of the pensioner account by the sum of the pensioner liabilities and the Solvency Reserve.
- The processing error reserve account held a negative balance of -R5.882 million as at 30 June 2018 representing -0.3% of the DC section liabilities. The Trustees may allocate the balance of the processing error reserve account to members' shares and living annuitants' accounts

The nature of the assets is suitable for the fund, except that the proportion of direct property underlying the pensioner liabilities may represent an over-concentration of assets in this class. The assets are appropriately matched relative to the term and nature of the active member liabilities. The Fund's investment strategy is suitable. Finally the risk benefits are partially re-insured and this is appropriate for the size and nature of the Fund.

The contribution rate payable is 9%, by the members and 18% by Council. The last actuarial valuation performed for the year ended 30 June 2015 revealed that the fund has a funding level of 153,1% (30 June 2014 - 101,7%).

#### Cape Retirement Fund

	Last actuarial valuation	Total assets	Total Liabilities	Contributing members
Cape Retirement Fund	June 2017	20,643,329	20,574,162	657

#### Contributions paid recognised in the statement of financial performance

Cape Retirement Fund	19,239,387	16,129,364
----------------------	------------	------------

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

2020 2019

### 19. Employee benefit obligations (continued)

The contribution rate payable is 9% by members and 18% by Council.

#### Defined Contribution Fund

Council contribute to the Government Employees Pension Fund, Municipal Council Pension Fund, IMATU Retirement Fund and SAMWU National Provident Fund which are defined contribution funds. The retirement benefit fund is subject to the Pension Fund Act, 1956, with pension being calculated on the pensionable remuneration paid. Current contributions by Council are charged against expenditure on the basis of current service costs.

#### Contributions paid recognised in the statement of financial performance

SALA Pension Fund	656,858	586,437
SAMWU National Provident Fund	1,501,126	1,581,900
	<b>2,157,984</b>	<b>2,168,337</b>

	Last actuarial valuation	Total assets	Total liabilities	Contributing members
South African Local Authorities Pension Fund	July 2018	14,298,600	14,899,800	18
Municipal Workers Retirement fund (previously SAMWU National Provident Fund)	July 2015	7,720,948	7,569,557	55
		<b>22,019,548</b>	<b>22,469,357</b>	

### 20. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

Municipal Infrastructure Grant	-	1,258,074
CWDM - Community Safety grant	477,553	-
Fire Services Capacity Building Grant	-	19,029
CWDM: King Edward sport ground upgrade grant	-	207,688
Other Grants	356,789	-
Integrated National Electrification Grant	675,158	(1,179,236)
Community Library Services Grant	382,548	-
Bakery Project Grant	168,875	168,875
CWDM: Construction of boundary walls of sports fields grant	32,199	32,199
Western Cape Financial Management Capacity Building Grant	739,000	478,000
Neighbourhood Development Partnership Grant	144,192	-
Municipal Disaster Relief Grant	141,620	-
Human Settlements Development Grant (beneficiaries)	3,524,692	5,251,622
	<b>6,642,626</b>	<b>6,236,251</b>

The nature and extent of government grants recognised in the annual financial statements and an indication of other forms of government assistance from which the municipality has directly benefited and unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 33 for reconciliation of grants from National / Provincial Government.

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

2020

2019

### 20. Unspent conditional grants and receipts (continued)

These amounts are invested in a ring-fenced investment until utilised.

Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends. An application was sent to National Treasury that the unspent grants at 30 June 2020 be approved for roll-over and when it is approved it will be taken up in the second adjustments budget of the 2020/2021 financial year.

Unspent grants can mainly be attributed to projects that are work in progress on the relevant financial year-ends.

The unspent grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received to the extent of revenue recognised. No grants were withheld.

### 21. Provisions

#### Reconciliation of provisions - 2020

	Opening Balance	Change in provision of rehabilitation cost	Expenditure for year	Total
Rehabilitation of landfill sites	60,287,830	3,554,975	2,547,161	66,389,966

#### Reconciliation of provisions - 2019

	Opening Balance	Change in provision of rehabilitation cost	Expenditure for year	Total
Rehabilitation of landfill sites	60,976,688	(4,438,924)	3,750,066	60,287,830
Non-current liabilities			45,336,286	44,960,495
Current liabilities			21,053,680	15,327,335
			<b>66,389,966</b>	<b>60,287,830</b>

#### Provision for landfill sites

Location	Area (m <sup>2</sup> )	Actual estimated closure date	Estimated decommission date	Montagu	Bonnievale	McGregor	Ashton
Montagu	17 190	2015	2020	10,330,369	9,670,775		
Bonnievale	28 890	2056	2061	10,526,866	8,395,747		
McGregor	35 752	2015	2020	21,053,680	19,621,283		
Ashton	44 685	2019	2024	24,479,052	22,600,026		
				<b>66,389,967</b>	<b>60,287,831</b>		

The landfill rehabilitation is created for the rehabilitation of the current operational sites which are evaluated at each year-end to reflect the best estimate at reporting date. The sites under consideration are the Montagu, Bonnievale, McGregor and Ashton landfill sites.

	Montagu	Bonnievale	McGregor	Ashton
CPI	3%	3%	3%	3%
Discount rate	4,23%	4,23%	4,23%	4,23%

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

2020 2019

### 22. Net assets reserves

Capital replacement reserve	62,921,000	62,921,000
-----------------------------	------------	------------

The Capital Replacement Reserve is used to finance future capital expenditure from own funds.

### 23. Service charges

Electricity	432,502,206	373,362,300
Water	45,473,013	41,100,606
Waste management	20,498,905	21,177,723
Waste water management	22,739,312	26,018,203
	<b>521,213,436</b>	<b>461,658,832</b>

The above service charges includes free basic services and rebates for the different services. The rebate amounts to R37,860,465 (2019: R23,241,692).

Revenue forgone can be defined as any income that the municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

### 24. Rental of facilities and equipment

<b>Investment property</b>		
Land and buildings	1,532,224	1,619,767
	<b>1,532,224</b>	<b>1,619,767</b>
 <b>Property, plant and equipment</b>		
Rental of property, plant and equipment	1,230,294	1,543,442
	<b>1,230,294</b>	<b>1,543,442</b>
	<b>2,762,518</b>	<b>3,163,209</b>

### 25. Agency fees

The municipality is party to a principal / agent agreement.

The municipality is an agent on behalf of the Western Cape Provincial Department of Transport and Public Works in collecting motor vehicle licences at an agency fee of 12% vat inclusive.

There were no significant changes in the agreement which occurred during the reporting period.

No material risks were identified on the agreement for the municipality.

The municipality does not incur any expenses on behalf of the principal.

The municipality does not have any assets or liabilities related to principal / agent agreement.

#### Amount of revenue retained by the municipality

Agency fees	3,834,776	4,144,683
-------------	-----------	-----------

#### Amount of revenue received on behalf of the principle during the reporting period

Motor vehicle licence fees	19,473,519	21,112,616
RTMC transaction fees	1,727,064	1,912,392
	<b>21,200,583</b>	<b>23,025,008</b>

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

2020

2019

### 26. Operational revenue

Administration and handling fees	55,940	124,953
Breakages and losses recovered	1,000	-
Commission	277,108	261,625
Contribution to provision	-	5,505,930
Discounts and early settlements	-	7,313
Incidental cash surplus	42,016	21,247
Insurance refund	740,716	781,778
Merchandising, jobbing and contracts	89,833	48,559
Municipal information and statistics	3,167	929
Plan, printing and duplicates	4,293	2,150
Registration fees - road and transport	239,984	315,382
Staff recoveries	135,792	198,602
	<b>1,589,849</b>	<b>7,268,468</b>

### 27. Licences and permits

Drivers licence	372,969	827,975
Hiking	203,397	242,807
Learner licence	117,589	197,366
Public drivers permit	145,856	184,787
Public roads	1,990	-
Trading	170	1,033
	<b>841,971</b>	<b>1,453,968</b>

### 28. Sales of goods and rendering of services

Advertisements	1,358	2,261
Application fees for land usage	493,964	1,083,050
Building plan approvals	767,521	1,078,516
Building plan clause levy	7,814	66,510
Cemetery and burial	366,168	571,201
Cleaning and removal	4,560	48,300
Development charges	3,072,782	5,462,097
Encroachment fees	44,433	-
Entrance fees	295,142	242,668
Fire services	106,299	89,215
Photocopies and faxes	70,795	105,397
Publications	39,992	75,601
Removal of restrictions	17,578	36,061
Scrap, waste and other goods	473,339	804,131
Traffic control	26,000	24,128
Valuation services	142,019	161,089
	<b>5,929,764</b>	<b>9,850,225</b>

### 29. Interest received

#### Interest revenue

Financial assets	8,406,588	8,770,910
Bank	4,858,889	4,327,686
Trade and other receivables	2,083,346	2,177,348
	<b>15,348,823</b>	<b>15,275,944</b>

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

2020 2019

### 30. Gains or losses on property, plant and equipment

Property, plant and equipment	423,487	1,420,265
-------------------------------	---------	-----------

### 31. Property rates

#### Rates received

Residential, commercial property, state	56,956,651	52,679,495
---	------------	------------

The above property rates includes rebates for the different services. The rebate amounts to R10,939,467 (2019: R9,660,090).

#### Valuations

Agricultural properties	6,239,332,548	6,197,124,548
Business and commercial property	1,524,992,277	1,495,143,477
Municipal properties	380,216,188	393,125,878
Other properties	339,011,250	336,728,150
Residential properties	5,905,451,283	5,819,520,673
State-owned properties	289,685,700	289,685,700
	<b>14,678,689,246</b>	<b>14,531,328,426</b>

#### Basic rate

	c/R	c/R
Residential	0.0065	0.0060
Commercial, industrial and government	0.0097	0.0089
Public benefit organisations	0.0013	0.0012
Agricultural	0.0013	0.0012

Municipal rates have been reclassified according to the use of the property as per the Municipal Property Rates Act.

Assessment Rates are levied on the value of land and improvements, which valuation is performed every 5 years. The last valuation came into effect on 1 July 2014. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions and also to accommodate growth in the rate base due mostly to private development.

Rates are levied annually and are payable by 7 October annually. Interest is levied at the prime rate on outstanding instalments.

Rebates were granted on land with buildings used solely for dwellings purposes as follows:

- Residential:
  - In terms of the Rates Policy of the municipality the first R80 000.00 of the market value of a property is exempted from paying rates and the first R15 000 on the valuation is exempted in terms section 17(1)(h) of the Municipal Property Rates Act, the subsequent R65 000 is a discretionary rebate.
  - Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been foregone by way of rebate or remission.

Approval in terms of Section 32(2) (b) (ii) of the Municipal Property Rates Act, 2004, (no 6 of 2004) was granted for the extension of the current valuation roll of Langeberg Municipality to six (6) financial years. The implementation of the valuation roll of Langeberg Municipality will be 1 July 2021.

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

2020

2019

### 32. Interest and dividends

Dividends	1,658	2,623
Receivables from non-exchange transactions	533,076	558,892
	<b>534,734</b>	<b>561,515</b>

### 33. Government grants and subsidies

#### Operating grants

CWDM: Community Safety Grant	353,647	-
CWDM: Cultural Events	-	38,622
CWDM: Project Assistance	221,572	231,148
Equitable Share	79,200,000	73,093,000
Expanded Public Works Programme Grant	2,033,000	1,740,000
Human Settlement Development Grant (Beneficiaries)	13,698,462	11,645,238
Humanitarian Relief Grant	757,000	-
Integrated National Electrification Programme	410,296	2,188,360
Library Services	3,370,000	3,210,000
Library Services Grant - MRF	5,636,452	5,700,000
Local Government Financial Management Grant	1,550,000	1,550,000
Local Government Graduate Internship Grant	-	330,482
Municipal Disaster Relief Grant	269,194	-
Municipal Infrastructure Grant	3,031,445	3,304,575
Neighbourhood Development Partnership Grant	1,024,671	-
Western Cape Financial Management Capacity Building Grant	-	122,000
Western Cape Financial Management Support Grant	330,000	330,000
	<b>111,885,739</b>	<b>103,483,425</b>

#### Capital grants

CWDM: Councillors laptops	434,783	-
CWDM: King Edward Sport Grounds Upgrade	207,688	760,113
Fire Service Capacity Building Grant	-	121,672
Human Settlements Development Grant (Beneficiaries)	-	28,228,863
Integrated National Electrification Programme Grant	2,735,309	1,990,877
Municipal Drought Relief	-	4,200,000
Municipal Infrastructure Grant	20,209,630	22,030,497
Municipal Disaster Relief Grant	66,186	-
Neighbourhood Development Partnership Grant	6,831,138	-
Private Enterprises	1,522,114	-
	<b>32,006,848</b>	<b>57,332,022</b>
	<b>143,892,587</b>	<b>160,815,447</b>

#### Conditional and Unconditional

Conditional grants received	63,170,473	87,722,447
Unconditional grants received	80,722,114	73,093,000
	<b>143,892,587</b>	<b>160,815,447</b>

#### Revenue recognised per vote as required by Section 123 (c) of the MFMA:

Community and social services	10,098,832	13,270,294
Energy sources	3,145,606	4,179,237
Equitable share	79,200,000	73,093,000
Finance and administration	3,836,898	2,002,000
Housing	13,920,033	40,105,250
Municipal manager and town secretary	9,888,808	2,070,482
Road transport	23,241,075	25,335,072

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

2020 2019

### 33. Government grants and subsidies (continued)

Sport and recreation	207,688	760,112
Water management	353,647	-
	<b>143,892,587</b>	<b>160,815,447</b>

### Equitable Share

The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury. In terms of the Constitution of the Republic of South Africa, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy, which is funded from the grant.

### Equitable Share

Current-year receipts	79,200,000	73,093,000
Conditions met - transferred to revenue - operating	(79,200,000)	(73,093,000)
	-	-

### Local Government Financial Management Grant (FMG)

Current-year receipts	1,550,000	1,550,000
Conditions met - transferred to revenue - operating	(1,550,000)	(1,550,000)
	-	-

The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).

### Municipal Disaster Relief Grant

Current-year receipts	477,000	-
Conditions met - operating	(269,194)	-
Conditions met - capital	(66,186)	-
	<b>141,620</b>	-

Conditions still to be met - remain liabilities (see note 20 - Unspent conditional grants and receipts).

The Municipal Systems Improvement Grant was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.

### Municipal Infrastructure Grant

Balance unspent at beginning of year	1,258,075	4,981,147
Current-year receipts	21,983,000	21,612,000
Conditions met - transferred to revenue - operating	(3,031,445)	(3,304,575)
Conditions met - transferred to revenue - capital	(20,209,630)	(22,030,497)
	-	<b>1,258,075</b>

The Municipal Infrastructure Grant was used to upgrade infrastructure in previously disadvantaged areas.

### Integrated National Electrification Grant

Balance unspent at beginning of year	(1,179,237)	(1,179,237)
Current-year receipts	5,000,000	3,000,000

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>33. Government grants and subsidies (continued)</b>		
Conditions met - transferred to revenue - operating	(410,296)	(2,034,546)
Conditions met - transferred to revenue - capital	(2,735,309)	(965,454)
	<b>675,158</b>	<b>(1,179,237)</b>

Conditions still to be met - remain liabilities (see note 20 - Unspent conditional grants and receipts).

The National Electrification Grant is used to address the electrification backlog of all existing and planned residential dwellings (including the upgrading informal settlements, new and normalisation of existing dwellings) and the installation of relevant bulk infrastructure.

### Expanded Public Works Programme Grant

Current-year receipts	2,033,000	1,740,000
Conditions met - transferred to revenue - operating	(2,033,000)	(1,740,000)
	-	-

The Expanded Public Works Grant is used to incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods.

### Human Settlements Development Grant (beneficiaries)

Balance unspent at beginning of year	5,251,622	3,324,130
Current-year receipts	12,549,449	42,032,742
Conditions met - transferred to revenue - operating	(13,698,462)	(11,876,387)
Conditions met - transferred to revenue - capital	-	(28,228,863)
	<b>4,102,609</b>	<b>5,251,622</b>

Conditions still to be met - remain liabilities (see note 20 - Unspent conditional grants and receipts).

Human Settlements Development Grant (Beneficiaries), Title Deed Registration Grant and Acceleration of Housing Delivery Grant are used to provide funding for the creation of sustainable and integrated human settlements.

### Community Library Services Grant

Current-year receipts	3,370,000	3,210,000
Conditions met - transferred to revenue - operating	(3,370,000)	(3,210,000)
	-	-

The Community Library Services Grant is used to pay costs relating to library services. Eg: Employee related costs of library staff.

### Library Services Grant - MRF

Current-year receipts	6,019,000	5,700,000
Conditions met - transferred to revenue - operating	(5,636,452)	(5,700,000)
	<b>382,548</b>	-

Conditions still to be met - remain liabilities (see note 20 - Unspent conditional grants and receipts).

The Community Library services MRF grant is used to transform urban and rural community library infrastructure, facilities and services (primarily targeting previously disadvantaged communities) through a recapitalised programme at provincial level in support of local government and national initiatives. (Eg: Salaries and operational costs)

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

2020 2019

### 33. Government grants and subsidies (continued)

#### Western Cape Financial Management Support Grant

Current-year receipts	330,000	330,000
Conditions met - transferred to revenue - operating	(330,000)	(330,000)
	-	-

Western Cape Financial Management Support Grant is used to provide financial assistance to municipalities to improve the overall financial governance within municipalities inclusive of optimising and administration of revenue, improving credibility and responsiveness of municipal budgets, improving of municipal audit outcomes and addressing institutional challenges.

#### Western Cape Financial Management Capacity Building Grant

Balance unspent at beginning of year	478,000	240,000
Current-year receipts	379,000	360,000
Repaid to National Treasury revenue fund	(118,000)	-
Conditions met - transferred to revenue - operating	-	(122,000)
	<b>739,000</b>	<b>478,000</b>

Conditions still to be met - remain liabilities (see note 20)- Unspent conditional grants and receipts.

The purpose of this grant is to develop financial human capacity within municipal areas to enable a sustainable local financial skills pipeline that is responsive to the municipality's requirements to enable sound and sustainable financial management and good financial governance.

#### Fire Services Capacity Building Grant

Balance unspent at beginning of year	19,030	140,702
Repaid to National Treasury revenue fund	(19,030)	-
Conditions met - transferred to revenue - capital	-	(121,672)
	<b>-</b>	<b>19,030</b>

This grant is used to ensure functional emergency communication, mobilisation systems and fire services.

#### CWDM: Tourism Route Development Project

Current-year receipts	100,000	-
Repaid to National Treasury revenue fund	(100,000)	-
	-	-

This grant was meant to be used for the development of tourism booklets for the Langeberg area.

#### Bakery Project

Balance unspent at beginning of year	168,875	168,875
	<b>-</b>	<b>-</b>

Conditions still to be met - remain liabilities (see note 20) - Unspent conditional grants.

Funds were received from the Cape Winelands District Municipality to roll out a bakery project to assist communities in the Langeberg area.

#### CDWM: Cultural Events

Current-year receipts	-	38,622
Conditions met - transferred to revenue - operating	-	(38,622)

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

2020 2019

### 33. Government grants and subsidies (continued)

The purpose of the grant is to provide funding in order to facilitate cultural events, sport events and the Christmas Lights event in the area of Langeberg Municipality.

#### CWDM: King Edward Sport Grounds Upgrade

Balance unspent at beginning of year	207,688	-
Current-year receipts	-	967,801
Conditions met - transferred to revenue - operating	-	(760,113)
Conditions met - transferred to revenue - capital	(207,688)	-
	-	<b>207,688</b>

This grant is used for maintenance, repair and alterations to the King Edwards Sports Ground facilities

#### CWDM: Construction of Boundary Walls of Sports fields

Balance unspent at beginning of year	32,199	-
Current-year receipts	-	500,000
Conditions met - transferred to revenue - capital	-	(467,801)
	<b>32,199</b>	<b>32,199</b>

Conditions still to be met - remain liabilities (see note 20).

This grant is an initiative for the erection and maintenance of boundary walls for the Langeberg sports fields and community walls.

#### Local Government Graduate Internship

Current-year receipts	-	330,482
Conditions met - transferred to revenue - operating	-	(330,482)
	-	-

#### CWDM: Community Safety

Current-year receipts	831,200	-
Conditions met - transferred to revenue - operating	(353,647)	-
	<b>477,553</b>	-

Conditions still to be met - remain liabilities (see note 20).

The grant was used to repair the water pipelines and to detect the waterpipe lines by CCTV cameras.

#### CWDM: Councillors Laptops

Debtor raised - transferred to non-exchange transactions	434,783	-
Laptops were bought - funds not yet received - capital	(434,783)	-
	-	-

The grant was used to purchase the necessary electronic equipment for Councillors.

A receivable from non-exchange transactions was raised for this amount.

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

2020

2019

### 33. Government grants and subsidies (continued)

#### Humanitarian Relief Grant

Current-year receipts	757,000	-
Conditions met - transferred to revenue - operating	(757,000)	-
	-	-

#### Neighbourhood Development Partnership Grant

Current-year receipts	8,000,000	-
Conditions met - transferred to revenue - operational	(1,024,671)	-
Conditions met - transferred to revenue - capital	(6,831,138)	-
	144,191	-

Conditions still to be met - remain liabilities (see note 20).

#### SETA grant

Current-year receipts	356,789	-
-----------------------	---------	---

Conditions still to be met - remain liabilities (see note 20).

### 34. Fines, penalties and forfeits

Illegal connections fines	-	47,093
Overdue books fines	46,452	65,105
Court traffic fines	7,067,136	5,364,546
	7,113,588	5,476,744

### 35. Employee related costs

Basic	129,062,123	119,159,343
Bonus	10,329,620	9,679,001
Car allowance	5,002,491	5,509,981
Cellular and telephone	698,943	764,629
Housing benefits and allowances	1,882,277	1,831,258
Leave pay provision charge	6,858,623	5,827,338
Long-service awards	1,154,000	889,347
Medical aid - company contributions	6,494,390	5,924,847
Other benefits and allowances	5,643,404	5,570,365
Overtime payments	8,709,744	8,174,967
Pension Contributions	21,447,729	20,252,633
Post-retirement benefit obligations	(2,331,237)	(86,285)
	194,952,107	183,497,424

#### Included in the above:

Interns employee related cost	711,778	621,866
Temporary employee related cost	9,069,452	5,083,162
	9,781,230	5,705,028

#### Included under post-retirement benefit obligations are:

Actuarial gain - post-retirement benefit	(7,094,926)	(7,156,869)
Actuarial gain - long service award	(1,355,790)	-
Interest cost	4,368,091	4,985,294

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>35. Employee related costs (continued)</b>		
Service cost	1,751,388	2,085,290
	<b>(2,331,237)</b>	<b>(86,285)</b>

Post-retirement benefit obligations are included under employee related cost as per MSCOA classifications.

### Remuneration of the Municipal Manager - Mr SA Mokweni

Basic salary	1,526,163	1,427,322
Cell phone allowance	58,909	58,909
Motor vehicle allowance	108,000	108,000
Pension and UIF contributions	276,815	259,024
Performance bonuses	251,208	91,394
	<b>2,221,095</b>	<b>1,944,649</b>

### Remuneration of the Chief Financial Officer - Mr B Brown

Basic salary	1,088,505	1,111,153
Cell phone allowance	41,017	44,746
Motor vehicle allowance	66,000	72,000
Payments in lieu of leave	135,795	47,952
Pension and UIF contributions	197,861	202,113
Performance bonuses	193,937	70,028
	<b>1,723,115</b>	<b>1,547,992</b>

Mr. B Brown resigned on 31 May 2020 and Mr. M Shude was appointed as the acting Chief Financial Officer as from 1 June 2020.

### Remuneration of Director Corporate Services - Mr AWJ Everson

Basic salary	1,263,819	1,181,269
Cell phone allowance	44,746	44,746
Motor vehicle allowance	102,603	102,603
Pension and UIF contributions	229,593	214,734
Performance bonuses	74,930	70,028
	<b>1,715,691</b>	<b>1,613,380</b>

### Remuneration of Director Community Services - M Mgajo

Basic salary	1,032,091	805,526
Cell phone allowance	44,746	37,288
Medical aid contribution	93,166	-
Motor vehicle allowance	49,068	44,534
Pension and UIF contributions	187,882	146,574
Performance bonuses	53,908	38,538
	<b>1,460,861</b>	<b>1,072,460</b>

Mr M Mgajo was appointed on 1 September 2019.

### Remuneration of Director Engineering Services - Mr IAB van der Westhuizen

Basic salary	109,375	1,225,431
Cell phone allowance	3,729	44,746
Medical aid contributions	3,983	45,846
Motor vehicle allowance	-	7,125
Payments in lieu of leave	128,274	-

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>35. Employee related costs (continued)</b>		
Pension and UIF contributions	19,863	222,683
Performance bonuses	45,033	70,144
	<b>310,257</b>	<b>1,615,975</b>

Mr IAB van der Westhuizen resigned on 31 July 2019.

### Remuneration of Director Engineering Services - Mr M Johnson

Basic salary	569,221	-
Cell phone allowance	29,831	-
Medical aid contributions	31,321	-
Motor vehicle allowance	118,333	-
Pension and UIF contributions	119,721	-
	<b>868,427</b>	-

Mr M Johnson was appointed on 1 November 2019.

### Remuneration of Director Strategy and Social Development - Mrs CO Matthys

Basic salary	1,268,263	1,185,576
Cell phone allowance	44,746	44,746
Motor vehicle allowance	100,000	100,000
Payments in lieu of leave	-	57,734
Pension and UIF contributions	230,393	215,510
Performance bonuses	75,054	56,115
	<b>1,718,456</b>	<b>1,659,681</b>

### Total remuneration of key management personnel

Basic salary	6,857,437	6,936,276
Cell phone allowance	267,725	275,181
Medical aid contributions	89,212	84,384
Motor vehicle allowance	544,005	434,263
Payments in lieu of leave	264,069	105,686
Pension and UIF contributions	1,262,128	1,260,638
Performance bonus	733,328	357,710
	<b>10,017,904</b>	<b>9,454,138</b>

All key management personnel are permanently appointed and only the municipal manager is on a 5 year fixed term contract.

### 36. Remuneration of councillors

Councillors	3,272,700	3,146,376
Deputy Executive Mayor	759,478	731,975
Executive Mayor	938,250	903,871
Mayoral Committee Members	2,859,148	2,756,012
Section 79 Committee Members	2,428,918	2,267,783
Speaker	759,478	731,975
	<b>11,017,972</b>	<b>10,537,992</b>

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

2020

2019

### 36. Remuneration of councillors (continued)

Councillor remuneration can be summarised as follows:

30 June 2020	Basic salary	Travel allowance	Other allowances	Pension and medical aid contribution	Total
Executive mayor	744,017	43,999	44,400	105,834	938,250
Deputy executive mayor	648,445	18,000	44,400	48,633	759,478
Speaker	517,689	96,440	44,400	100,949	759,478
Executive mayoral committee members	2,153,329	135,208	177,600	393,011	2,859,148
Section 79 committee chairperson	1,901,257	103,605	264,702	159,354	2,428,918
Councillors	2,373,017	109,604	446,868	343,211	3,272,700
<b>Subtotal</b>	<b>8,337,754</b>	<b>506,856</b>	<b>1,022,370</b>	<b>1,150,992</b>	<b>11,017,972</b>
	<b>8,337,754</b>	<b>506,856</b>	<b>1,022,370</b>	<b>1,150,992</b>	<b>11,017,972</b>

30 June 2019	Basic salary	Travel allowance	Other allowances	Pension and medical aid contribution	Total
Executive mayor	712,036	48,186	44,400	99,249	903,871
Deputy executive mayor	622,860	18,000	44,400	46,715	731,975
Speaker	494,674	96,440	44,400	96,461	731,975
Executive mayoral committee members	2,064,615	149,003	177,600	364,795	2,756,013
Section 79 committee chairperson	1,786,669	80,214	258,037	142,862	2,267,782
Councillors	2,285,976	74,119	441,718	344,562	3,146,375
<b>Subtotal</b>	<b>7,966,830</b>	<b>465,962</b>	<b>1,010,555</b>	<b>1,094,644</b>	<b>10,537,991</b>
	<b>7,966,830</b>	<b>465,962</b>	<b>1,010,555</b>	<b>1,094,644</b>	<b>10,537,991</b>

HM Jansen	Mayor		938,250	903,871
GD Joubert	Deputy Mayor		759,478	731,975
SW van Eeden	Speaker		759,478	731,975
JD Burger	Member of Mayoral Committee		714,787	689,003
DB Janse	Member of Mayoral Committee		714,787	689,003
EMJ Scheffers	Member of Mayoral Committee		714,787	689,003
SW Strauss	Member of Mayoral Committee		714,787	689,003
NJ Beginsel	Member of Council and Section 79		391,833	393,455
P Hess	Member of Council and Section 79		407,417	393,455
J Kriel	Member of Council and Section 79		407,417	393,455
DJW Kuhn	Member of Council and Section 79 (09/01/2019- 30/06/2020)		367,344	151,765
H Mangenengene	Member of Council and Section 79 (22/01/2018- 30/06/2020)		407,417	393,455
WZ Nyamana	Member of Council and Section 79 (01/07/2017- 02/10/2018)		-	100,520
LM Swanepoel	Member of Council and Section 79		407,417	393,455
JDF van Zyl	Member of Council and Section 79 (10/12/2018- 31/12/2019)		367,344	359,584
E Bosjan	Member of Council		327,270	316,390

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand		2020	2019
<b>36. Remuneration of councillors (continued)</b>			
S du Plessis	Member of Council	327,270	316,390
CJ Grootboom	Member of Council	327,270	316,390
JJJS Januarie	Member of Council	327,270	316,390
JS Mafika	Member of Council	327,270	316,390
AS Mbi	Member of Council (01/07/2017- 30/09/2018)	- 79,098	79,098
BH Nteta	Member of Council	327,270	316,390
AJ Shibili	Member of Council	327,270	316,390
OC Simpson	Member of Council (16/10/2018- 30/06/2020)	327,270	224,796
TM van der Merwe	Member of Council	327,270	316,390
		<b>11,017,973</b>	<b>10,537,991</b>

### In kind benefits:

The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time. The full time councillors are provided with secretarial support and an office at the cost of the Council.

The Mayor and the Deputy Mayor each have the use of separate Council owned vehicles for official duties.

### 37. Depreciation and amortisation

Investment property	57,936	50,868
Property, plant and equipment	29,321,194	24,588,216
	<b>29,379,130</b>	<b>24,639,084</b>

### 38. Impairment of assets / (reversal of impairment)

#### Impairments of assets

Property, plant and equipment	2,513,851	71,313
Recognition of the impairment loss - The amount of the asset was based on its fair value less costs to sell. Impairment of assets was the result of the condition assessment of assets.		
Investment property	208,379	-
Recognition or impairment loss - The amount of the asset was based on its fair value less costs to sell. Impairment of assets was the result of the condition assessment of assets		
Receivables from exchange transactions	3,222,672	2,420,968
Recognition of the impairment loss - The amount of the asset was based on its fair value less costs to sell. The impairment is based on the estimation of municipal customers not paying their accounts.		
Receivables from non-exchange transactions	4,222,328	433,913
Recognition or reversal of the impairment loss - The amount of the asset was based on its fair value less costs to sell. The impairment is based on the estimation of municipal customers not paying their accounts.		
	<b>10,167,230</b>	<b>2,926,194</b>

### 39. Finance costs

Finance leases	268,649	191,036
Long service awards	981,001	843,610
Long term borrowings	1,639,586	1,493,315
Non-current provision - landfill site	2,547,161	3,750,066
Payables from exchange transactions	-	332
	<b>5,436,397</b>	<b>6,278,359</b>

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

2020

2019

### 40. Bad debt written off

Receivables from exchange transactions	63,990	14,239,229
Receivables from non-exchange transactions	4,060,948	4,424,683
	<b>4,124,938</b>	<b>18,663,912</b>

### 41. Bulk purchases

Electricity - Eskom	339,725,520	289,899,530
Water	2,979,243	3,100,014
	<b>342,704,763</b>	<b>292,999,544</b>

### Electricity losses

Units purchased (kWh)	321,345,142	316,563,848
Units sold (kWh)	(307,879,306)	(307,543,777)
<b>Units lost during distribution (kWh)</b>	<b>13,465,836</b>	<b>9,020,071</b>

### Percentage Loss:

Percentage lost during distribution	4,19%	2,84%
-------------------------------------	-------	-------

### Water losses

Units disinfected/purified/purchased (kl)	7,182,390	6,544,530
Units sold (kl)	(6,118,480)	(5,500,880)
<b>Units lost during distribution (kl)</b>	<b>1,063,910</b>	<b>1,043,650</b>

### Percentage Loss:

Percentage lost during distribution	14,81%	15,95%
-------------------------------------	--------	--------

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

2020

2019

### 42. Contracted services

#### Outsourced services

Administrative and support staff	-	43,100
Burial services	194,082	272,602
Business and advisory	996,212	3,180,267
Cleaning services	17,325	-
Clearing and grass cutting services	-	396,035
Hygiene Services	15,282	596,919
Litter picking and street cleaning	65,900	-
Personnel and labour	40,600	-
Security services	341,696	114,028
Translators, scribes and editors	3,500	11,250
Transport services	45,500	53,050

#### Consultants and professional services

Business and advisory	2,211,863	2,917,379
Infrastructure and planning	1,009,690	1,743,077
Laboratory services	333,729	356,785
Legal cost	847,065	626,270

#### Contractors

Aerial photography	-	14,950
Artists and performers	177,000	66,127
Building	-	1,025
Catering services	32,359	121,838
Chipping	146,933	137,242
Electrical	2,731,355	2,115,491
Employee wellness	-	1,198,292
Event promoters	52,550	-
Fire protection	17,532	-
Haulage	-	119,000
Maintenance of assets	9,217,440	3,978,553
Maintenance of buildings and facilities	859,689	546,688
Maintenance of equipment	583,931	2,227,305
Management of informal settlements	2,397,192	1,452,995
Medical services	40,192	-
Pest control and fumigation	-	8,000
Photographer	6,500	4,000
Plants, flowers and other decorations	2,557	-
Prepaid electricity vendors	3,726,771	-
Preservation/restoration/dismantling/cleaning services	-	658
Safeguard and security	29,397	72,779
Sewerage services	-	1,037,926
Stage and sound crew	7,000	3,995
Transportation	4,389	44,700

**26,155,231** **23,462,326**

Other outsourced services consist of services related to burials, clearing and grass cutting, hygiene services, translators and scribes, transport services and other outsourced services.

Other consultants and professional services consists of services related to infrastructure and planning, laboratory services and other professional services.

Other contractors consist of services related to security and safeguarding, management of informal settlements, catering services, employee wellness and other incidental services provided.

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>43. Grants and subsidies paid</b>		
<b>Other subsidies</b>		
Bursaries - non-employee	83,000	176,050
Care dependency	-	11,670
Foreign government and international organisations	15,000	-
Grants in aid	233,935	332,640
Households	-	255,572
In-kind allocations	41,084	13,034
Non-profit Institutions	1,923,579	151,054
SPCA	217,934	-
Small Enterprise Development Agency	-	250,000
Tourism	610,000	575,000
	<b>3,124,532</b>	<b>1,765,020</b>
<b>44. Profit / (loss) on fair value adjustments</b>		
The fair value adjustment comprises all fair value adjustments on available-for-sale financial instruments. When an asset or liability is derecognised, the fair value adjustments relating to that asset or liability is transferred to surplus or deficit.		
Other financial assets	(43,104)	(13,353)
<b>45. Inventory consumed</b>		
Consumables	3,187,038	6,988,375
Housing stock	749,890	3,003,602
Materials and supplies	11,983,345	8,184,839
	<b>15,920,273</b>	<b>18,176,816</b>
<b>46. Operational costs</b>		
Advertising, publicity and marketing	1,060,461	1,554,588
Bank charges	889,781	1,124,375
Bursaries (employees)	125,238	112,927
Cleaning services	276	2,725
Commission paid	212,106	3,305,539
Communication	2,115,925	2,172,948
Cost relating to the sale of houses	-	141,429
Deeds	-	134,749
Delivery expenses	1,293	2,038
Drivers licences and permits	19,948	17,314
Entertainment	870	22,630
External audit fees	4,866,891	4,462,503
Fines and penalties	-	7,100
Full time union representative	160,567	141,569
Hire	614,152	926,931
IT expenses	6,295,870	4,067,979
Insurance	3,616,014	3,798,851
Land alienation costs	17,846	1,397,969
Landfill sites	2,196,411	-
Licences	389,756	562,802
Office decorations	-	2,795
Printing, publications and books	922,540	433,406
Professional bodies, membership and subscription	2,106,064	2,199,023
Registration fees	40,213	63,824
Remuneration to ward committees	403,000	611,000
Resettlement cost	7,850	-

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

2020 2019

### 46. Operational costs (continued)

Roadworthy tests	11,811	8,364
Servitudes and land surveys	-	79,058
Signage	-	52,278
Skills development fund levy	1,411,395	1,590,375
System access and information fees	93,826	-
Transport and freight	-	9,000
Travel and subsistence	360,020	653,267
Uniform and protective clothing	930,706	1,292,711
Vehicle tracking	152,355	153,872
Wet fuel	7,092,901	7,993,232
Witness fees	2,208	-
Workmen's compensation fund	2,146,696	1,096,091
	<b>38,264,990</b>	<b>40,195,262</b>

### 47. Fair value adjustments

Other financial assets	(43,104)	(13,353)
------------------------	----------	----------

### 48. Auditors' remuneration

Fees	4,866,891	4,462,503
------	-----------	-----------

### 49. Cash generated from operations

Surplus	79,098,209	100,643,948
<b>Adjustments for:</b>		
Depreciation and amortisation	29,379,130	24,639,084
(Gain)/loss on sale of assets and liabilities	1,443,004	695,190
Fair value adjustments	43,104	13,353
Finance costs - Finance leases	268,649	191,036
Impairment loss	2,722,230	71,314
Debt impairment	7,445,000	2,854,881
Bad debts written off	4,124,938	18,663,912
Movements in retirement benefit assets and liabilities	(1,307,744)	(311,897)
Movements in provisions	4,510,472	(1,755,866)
Other non-cash	(6,857)	-
Public contributions	(1,522,113)	-
Operating lease income accrued	(11,580)	5,142
Inventories (Write-down)/Reversal of Write-down to Net Realisable Value	53,309	(30,438)
<b>Changes in working capital:</b>		
Inventories	(13,165,799)	(11,983,909)
Receivables from exchange transactions	(21,010,138)	(21,446,588)
Receivables from non-exchange transactions	(13,354,876)	(10,264,911)
Current portion of receivables - long-term receivables	25,754	94,441
Payables from exchange transactions	7,245,283	5,798,522
VAT	(48,281)	1,043,071
Unspent conditional grants and receipts	406,373	(7,417,224)
	<b>86,338,067</b>	<b>101,503,061</b>

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

2020

2019

### 50. Financial instruments disclosure

#### Categories of financial instruments

2020

#### Financial assets

	At fair value	At amortised cost	Total
Cash and cash equivalents	-	200,973,607	200,973,607
Operating lease asset	-	108,595	108,595
Listed investments	72,499	-	72,499
Receivables from exchange transactions	-	63,281,728	63,281,728
Receivables from non-exchange transactions	-	10,143,278	10,143,278
	<b>72,499</b>	<b>274,507,208</b>	<b>274,579,707</b>

#### Financial liabilities

	At amortised cost	Total
Long-term borrowings	43,846,523	43,846,523
Finance lease obligation	1,797,805	1,797,805
Unspent conditional grants	6,642,626	6,642,626
Payables from exchange transactions	77,506,366	77,506,366
Consumer deposits	12,726,209	12,726,209
	<b>142,519,529</b>	<b>142,519,529</b>

2019

#### Financial assets

	At fair value	At amortised cost	Total
Cash and cash equivalents	-	154,703,659	154,703,659
Operating lease asset	-	97,014	97,014
Listed investments	118,944	-	118,944
Receivables from exchange transactions	-	45,579,813	45,579,813
Receivables from non-exchange transactions	-	6,658,933	6,658,933
	<b>118,944</b>	<b>207,039,419</b>	<b>207,158,363</b>

#### Financial liabilities

	At amortised cost	Total
Annuity loans	13,840,544	13,840,544
Capitalised lease liability	2,219,346	2,219,346
Payables from exchange transactions	70,261,074	70,261,074
Consumer deposits	12,524,220	12,524,220
	<b>98,845,184</b>	<b>98,845,184</b>

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

2020 2019

### 51. Commitments

#### Authorised capital expenditure

##### Already contracted for but not provided for (Inc VAT)

• Property, plant and equipment	50,276,905	33,424,016
• Community assets	1,007,470	753,025
• Other assets	302,057	1,339,399
	<b>51,586,432</b>	<b>35,516,440</b>

##### Already contracted for but not provided (Excl VAT)

• Property, plant and equipment	43,719,048	29,064,362
• Community assets	877,914	654,804
• Other assets	262,658	1,215,691
	<b>44,859,620</b>	<b>30,934,857</b>

#### Total commitments

### 52. Contingencies

The municipality is currently engaged in litigation which could result in damages/costs being awarded against Council if claimants are successful in their actions.

Description of event:

- Langeberg Municipality/ Springfield Marketing – Worcester Regional Court Case 253/2017. Claim against the municipality for overpaid rates (REF LAN26/0200). Estimate of exposure R269,912.
- Langeberg Municipality/ Breede River Construction – Awaiting trial date under High Court Case number 12171/2017 (REF LAN26/0119). Claim by the Municipality against the Defendant for damages cause by negligence. Estimated exposure in respect of legal costs – R400 000

The following public liability claims were instituted against Langeberg Municipality during the current financial year, however no further legal action has been taken:

A Drotschie - Tree branch fell on vehicle	19,409	-
Alain Somerlink - Pending - Motor vehicle third party claim	-	64,780
J J Kruger - CCD 1718 - Pending - Motor vehicle third party claim	-	23,060
J Matthys - Losses due to water pipe burst	-	23,945
L Vermeulen - Third party injury claim	-	100,000
P Kleintjies - Losses due to water pipe burst	-	518,689
R Matthys/Brolink - Loss due to water pipe burst	10,860	-
Tersia Louw - Motor vehicle third party claim	36,117	-
Unpaid lockdown days - employees not signing sick leave	614,904	-
Wendy Botha - Tree branch fell on vehicle	60,000	-
	<b>741,290</b>	<b>730,474</b>

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

2020

2019

### 52. Contingencies (continued)

#### Contingent assets

Langeberg Municipality has the following contingent assets:

	2020	2019 Restated
Case Langeberg Municipality/Tony Quickleburg for Outstanding Rates and Levies.	348,426	348,426
Case Langeberg Municipality/Breede Valley Construction and third Parties. Claim against Breede Valley Construction and third Parties due to losses suffered by the municipality as a result of the collapse of the museum on 26 August 2014.	-	2,100,000
	<b>348,426</b>	<b>2,448,426</b>

### 53. Related parties

#### Relationships

Councillors

Refer to note on council remuneration cost for information

Members of key management

Refer to note on employee related cost for information

Close family member of key management

Refer to note on supply chain deviations

Joint venture of key management

None

Key Management and Councillors receive and pay for services on the same terms and conditions as other ratepayers / residents.

The rates, service charges and other charges are in accordance with approved tariffs that were advertised to the public. No bad debt expenses have been recognised in respect of amounts owed by related parties. Refer to additional disclosures in terms of the MFMA, Regulation 45.

#### Related Party Loans

Since 1 July 2004 loans to councillors and senior management employees are not permitted.

#### Compensation of key management personnel

The compensation of key management personnel is set out in the notes 35 in the Annual Financial Statements.

No purchases were made during the year where Councillors or staff have an interest.

### 54. Change in estimate

#### Property, plant and equipment

There was no change in the useful life for property, plant and equipment.

### 55. Comparative figures

Certain comparative figures have been restated, refer to note 56 - Prior-year adjustments for the detail.

### 56. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

### 56. Prior-year adjustments (continued)

#### Statement of financial position

2019

	Note	As previously reported	Correction of error	Re-classification	Restated
Current assets		-	-	-	-
Inventories	2	25,809,676	979,488	-	26,789,164
Operating lease asset	3	97,015	-	-	97,015
Receivables from exchange transactions	4	45,833,068	(1,201,916)	558,622	45,189,774
Receivables from non-exchange transactions	6	10,216,301	-	19,664	10,235,965
VAT receivable	8	1,470,582	-	-	1,470,582
Current portion of non-current receivables		622,569	-	(622,569)	-
Cash and cash equivalents	9	154,703,659	-	-	154,703,659
Non-current assets		-	-	-	-
Investment property	10	28,345,034	241,387	-	28,586,421
Property, plant and equipment	11	713,324,189	(3,220,308)	-	710,103,881
Intangible assets	12	574,890	442,235	-	1,017,125
Heritage assets	13	275,448	-	-	275,448
Other financial assets (investments)	14	113,289	5,655	-	118,944
Non-current receivables from exchange transactions	4	390,039	-	-	390,039
Non-current receivables from non-exchange transactions	6	561,266	-	-	561,266
Current liabilities		-	-	-	-
Finance lease obligation		-	-	(815,495)	(815,495)
Payables from exchange transactions	17	(70,617,902)	2,889	353,939	(70,261,074)
Consumer deposits	18	(12,214,563)	-	(309,657)	(12,524,220)
Employee benefit obligation	19	(19,387,364)	-	1,128,808	(18,258,556)
Unspent conditional grants and receipts	20	(7,415,488)	1,179,237	-	(6,236,251)
Provisions	21	(15,327,335)	-	-	(15,327,335)
Current Portion of Long-term Borrowings	15	(3,199,081)	-	815,495	(2,383,586)
Non-current liabilities		-	-	-	-
Long-term borrowings	15	(12,209,550)	(651,259)	1,403,851	(11,456,958)
Non-current provisions	21	(44,960,495)	-	-	(44,960,495)
Non-current employee benefits	19	(58,250,768)	1,032,706	(1,128,808)	(58,346,870)
Finance lease obligation		-	-	(1,403,851)	(1,403,851)
Net assets		-	-	-	-
Capital replacement reserve	22	(62,921,000)	-	-	(62,921,000)
Accumulated (surplus) / deficit		(675,833,479)	1,189,885	-	(674,643,594)
		-	(1)	(1)	(2)

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

### 56. Prior-year adjustments (continued)

#### Statement of financial performance

2019

	Note	As previously reported	Correction of error	Re-classification	Restated
Revenue from exchange transactions					
Service charges	23	453,722,561	-	7,936,270	461,658,831
Sales of goods and rendering of services	28	15,749,511	- (5,899,286)	-	9,850,225
Rental of facilities and equipment	24	3,163,208	-	-	3,163,208
Interest receive - external investments	29	13,098,597	-	-	13,098,597
Interest receive - exchange transactions	29	2,177,347	-	-	2,177,347
Agency services	25	4,144,683	-	-	4,144,683
Licences and permits (exchange)	27	1,453,966	-	-	1,453,966
Operational revenue	26	6,780,302	(32,367)	520,532	7,268,467
Revenue from non-exchange transactions					
Dividends	32	2,660	-	(37)	2,623
Property rates	31	52,679,495	-	-	52,679,495
Reversal of write-down of inventory		-	-	30,438	30,438
Interest earned - non-exchange transactions	32	558,892	-	-	558,892
Government grants and subsidies	33	159,636,211	1,179,237	-	160,815,448
Availability charges		2,557,480	-	(2,557,480)	-
Actuarial gains	30	9,772,402	-	(9,772,402)	-
Fines, penalties and forfeits	34	5,476,744	-	-	5,476,744
Gain on disposal of assets		-	-	1,420,265	1,420,265
Expenditure					
Employee related costs	35	(186,765,088)	-	3,267,666	(183,497,422)
Remuneration of councillors	36	(10,537,992)	-	-	(10,537,992)
Depreciation and amortisation	36	(25,054,379)	489,411	(74,116)	(24,639,084)
Finance costs	39	(11,295,649)	63,490	4,953,800	(6,278,359)
Bad debts written off	40	(18,669,283)	5,371	-	(18,663,912)
Inventory consumed	45	(18,176,815)	-	-	(18,176,815)
Bulk purchases	41	(292,999,544)	-	-	(292,999,544)
Contracted services	42	(23,462,325)	-	-	(23,462,325)
Transfers and subsidies	43	(1,765,021)	-	-	(1,765,021)
Operating costs	46	(39,152,797)	52,273	(1,094,737)	(40,195,261)
Actuarial losses	30	(2,615,533)	-	2,615,533	-
Inventory gains	2	30,438	-	(30,438)	-
Gains: on disposal of property, plant and equipment	30	1,483,255	(137,107)	(1,346,148)	-
Impairment loss - other receivables from exchange revenue	38	(2,853,528)	-	(72,666)	(2,926,194)
Impairment loss: investment property	38	(71,313)	-	71,313	-
Loss on fair value adjustments	44	(13,353)	-	-	(13,353)
<b>Deficit for the year</b>		<b>99,055,132</b>	<b>1,620,308</b>	<b>(31,493)</b>	<b>100,643,947</b>

#### Prior year errors and re-classification

The following re-classifications and errors occurred:

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

---

### 56. Prior-year adjustments (continued)

#### Reclassification and correction of error 1

##### **Service charges**

Audited 2019	-	453,722,561
Transfer from availability charges	-	2,557,480
Transfer from sales of goods and rendering of services	-	5,378,791
	-	<b>461,658,832</b>

Reclassification due to alignment to mSCOA classifications.

#### Reclassification and correction of error 2

##### **Sale of goods and rendering of services**

Audited 2019	-	15,749,511
Transfer to service charges	-	(5,378,791)
Transfer to operational cost	-	(520,532)
Transfer to dividends	-	37
	-	<b>9,850,225</b>

Reclassification due to alignment to mSCOA classifications.

#### Reclassification and correction of error 3

##### **Operational revenue**

Audited 2019	-	6,780,302
Transfer from sale of goods and rendering of services	-	520,532
Correction of error: Payables from exchange transactions	-	(20,431)
Correction of error: Receivables from exchange transactions	-	(11,936)
	-	<b>7,268,467</b>

Reclassification due to alignment to mSCOA classifications.

Reversal of accrued interest incorrectly recognised in the prior year.

#### Reclassification and correction of error 4

##### **Grants and subsidies: OPEX**

Audited 2019	-	103,329,611
Correction of error - accumulated surplus	-	153,814
	-	<b>103,483,425</b>

Correction of Integrated National Electrification Programme (INEP) grant previously not recognised.

#### Reclassification and correction of error 5

##### **Grants and subsidies: CAPEX**

Audited 2019	-	56,306,600
Correction of error - accumulated surplus	-	1,025,423
	-	<b>57,332,023</b>

Correction of integrated national electricity programme (INEP) grant previously not recognised.

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

---

### 56. Prior-year adjustments (continued)

#### Reclassification and correction of error 6

##### **Dividends**

Audited 2019	-	2,660
Transfer from sale of goods and rendering of services	-	37
	-	<b>2,697</b>

Reclassification due to alignment to mSCOA classifications.

#### Reclassification and correction of error 7

##### **Actuarial gains and losses**

Audited 2019	-	9,772,402
Transfer to employee related cost	-	(9,772,402)
	-	-

Reclassification due to alignment to mSCOA classifications.

#### Reclassification and correction of error 8

##### **Availability fees**

Audited 2019	-	2,557,479
Transfer to service charges	-	(2,557,479)
	-	-

Reclassification due to alignment to mSCOA classifications.

#### Reclassification and correction of error 9

##### **Employee related cost**

Audited 2019	-	186,765,088
Transfer from actuarial gains (revenue)	-	(7,156,869)
Finance cost	-	4,953,800
Transfer to operating expenditure	-	(1,064,596)
	-	<b>183,497,423</b>

Reclassification due to alignment to mSCOA classifications.

#### Reclassification and correction of error 10

##### **Depreciation and amortisation**

Audited 2019	-	25,054,379
Correction of error: accumulated surplus	-	(489,411)
Transfer from impairment reversal	-	71,313
Transfer from gains on disposal	-	2,803
	-	<b>24,639,084</b>

Reclassification due to alignment to mSCOA classifications.

Correction of depreciation and impairment incorrectly stated in the prior period for investment property and property plant and equipment.

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

---

### 56. Prior-year adjustments (continued)

#### Reclassification and correction of error 11

##### **Impairment loss exchange / non-exchange**

Audited 2019	-	2,924,841
Transfer to operational cost	-	1,353
	-	<b>2,926,194</b>

Reclassification due to alignment to mSCOA classifications.

#### Reclassification and correction of error 12

##### **Finance cost**

Audited 2019	-	11,295,649
Correction of error - accumulated surplus	-	(63,490)
Transfer to employee related cost	-	(4,953,800)
	-	<b>6,278,359</b>

Reclassification due to alignment to mSCOA classifications.

Correction due to finance charges for unamortised discount and finance cost incorrectly stated in prior period.

#### **Reclassification and correction of error 13**

##### **Bad debts written off**

Audited 2019	-	18,669,283
Correction of error - accumulated surplus	-	(5,371)
	-	<b>18,663,912</b>

Reversal of bad debts written off incorrectly stated in prior year.

#### Reclassification and correction of error 14

##### **Gain on disposal**

Audited 2019	-	1,483,255
Correction of error - property, plant and equipment	-	(62,990)
	-	<b>1,420,265</b>

Correction of disposal of assets in the prior year.

#### Reclassification and correction of error 15

##### **Actuarial loss**

Audited 2019	-	2,615,533
Transfer to employee related cost	-	(2,615,533)
	-	-

Reclassification due to alignment to mSCOA classifications.

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

### 56. Prior-year adjustments (continued)

#### Reclassification and correction of error 16

##### **Operating Expenditure**

Audited 2019	-	39,152,797
Correction of error - accumulated surplus	-	(52,273)
Transfer to employee related cost	-	1,062,370
Transfer to interest receivable (revenue)	-	32,367
	-	<b>40,195,261</b>

Reclassification due to alignment to mSCOA classifications.

Reversal of a portion of finance charges incorrectly stated in the prior year.

#### Reclassification and correction of error 17

##### **Inventories**

Opening balance - audited 2019	-	25,809,676
Correction of error - property, plant and equipment	-	979,488
	-	<b>26,789,164</b>

Inventory adjustment from property, plant and equipment incorrectly stated in the prior prior period 2018.

#### Reclassification and correction of error 18

##### **Receivables from exchange transactions**

Opening balance - audited 2019	-	46,435,972
Correction of error - accumulated surplus: 2019	-	(111,916)
Correction of error - accumulated surplus: 2018	-	(1,090,000)
Reclassification transfer from other payables	-	(44,282)
	-	<b>45,189,774</b>

Proceeds on land sales were corrected allocated in the prior period to payables (R23,314)

Accrual under operational revenue was incorrectly stated and reversed (R11,936)

Reversal of bad debt written off (R5,370)

Correction of insurance claim debtors from prior prior period 2018 (R1,090,000)

Reclassification per mSCOA guids (R44,282)

#### Reclassification and correction of error 19

##### **Investment property**

Opening balance - audited 2019	-	28,345,034
Correction of error - accumulated surplus: 2018	-	247,000
Correction of error - accumulated surplus: 2019	-	(5,613)
	-	<b>28,586,421</b>

Recognition of investment property not stated in the prior prior period. (R247,000)

Depreciation correction in prior period (R5,613)

#### Reclassification and correction of error 20

##### **Property, plant and equipment**

Opening balance - audited 2019	-	713,324,189
Correction of error - accumulated surplus: 2018	-	(3,590,411)
Correction of error - accumulated surplus: 2019	-	370,108

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

### 56. Prior-year adjustments (continued)

- 710,103,886

Correction of asset disposal incorrectly stated in prior prior period (R3,426,844)

Correction of depreciation incorrectly stated in prior prior period (R163,566)

Correction of depreciation in prior period (R279,528)

Correction of recognition of lease in prior period (R141,407)

Correction of disposal of assets in prior period (-R50,827)

### Reclassification and correction of error 21

#### **Intangible assets**

Opening balance - audited 2019	-	574,890
Correction of error - accumulated surplus: 2018	-	313,020
Correction of error - accumulated surplus: 2019	-	129,215
	-	<b>1,017,125</b>

Correction of depreciation on intangible assets in prior prior period (R313,020)

Correction of depreciation on intangible assets in prior period (R129,215)

### Reclassification and correction of error 22

#### **Investments (Financial assets)**

Opening balance - audited 2019	-	113,289
Correction of error: accumulated surplus: 2018	-	5,655
	-	<b>118,944</b>

Recognition of prior prior period shares. (R5 655)

### Reclassifications and correction of error 23

#### **Payables from exchange transactions**

Opening balance - audited 2019	-	70,617,902
Correction of error - accumulated surplus: 2019	-	(2,883)
Transfer from receivables exchange	-	(44,282)
Transfer from deposits	-	(309,657)
	-	<b>70,261,080</b>

Reversal of accrual incorrectly raised as operational revenue in the prior period (-R20,431)

Reversal of proceeds on land sale incorrectly recognised as a payable instead of receivable (R23,314)

Re-allocation mSCOA classification on deposits and receivables (R353,939)

### Reclassification and correction of error 24

#### **Consumer deposits**

Opening balance - audited 2019	-	12,214,563
Transfer from payables from exchange transactions	-	309,657
	-	<b>12,524,220</b>

Reclassification due to alignment to mSCOA classifications

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

---

### 56. Prior-year adjustments (continued)

#### Reclassification and correction of error 25

##### **Unspent conditional grants**

Opening balance - audited 2019	-	7,415,488
Correction of error - accumulated surplus: 2019	-	(1,179,237)
	-	<b>6,236,251</b>

Correction of integrated national electricity grant not recognised as revenue in prior period (R1,179,237)

#### Reclassification and correction of error 26

##### **Employee benefits obligation - current**

Opening balance - audited 2019	-	19,387,364
Transfer to non-current portion	-	(1,128,808)
	-	<b>18,258,556</b>

Reclassification per mSCOA classifications between current and non-current employee stated benefits

#### Reclassification and correction of error 27

##### **Employee benefits obligation - non-current**

Opening balance - audited 2019	-	58,250,768
Transfer from current portion	-	1,128,808
Correction of error - accumulated surplus: 2018	-	(1,032,706)
	-	<b>58,346,870</b>

Reclassification per mSCOA classifications between current and non-current employee stated benefits (R1,128,808)

Correction of long service awards in the prior prior period. (-R1,032,706)

#### Reclassification and correction of error 28

##### **Long term borrowings**

Opening balance - audited 2019	-	12,209,550
Correction of error - accumulated surplus: 2018	-	676,157
Correction of error - accumulated surplus: 2019	-	(24,898)
	-	<b>12,860,809</b>

Correction prior prior period journals incorrectly posted (R676,157)

Recognition of lease not stated in prior period (R141,407)

Correction of unamortised discount written back in prior period (-R58,605)

Correction of payments in advance incorrectly recognised as finance cost in prior period (-R63,341)

Correction of lease transfer incorrectly recognised as finance cost in the prior period (-R44,359)

#### Reclassification and correction of error 29

##### **Accumulated surplus**

Opening balance - audited 2019	-	675,833,478
Adjustments made: 2018	-	(2,778,700)
Adjustments made - 2019	-	1,588,814
	-	<b>674,643,592</b>

Adjustment made to prior year accumulated surplus.

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

---

### 56. Prior-year adjustments (continued)

#### Change in accounting policy

The accounting policy was amended for the implementation of GRAP 20, 108 and 109 which came effective from 1 April 2019. No comparative figures were restated as a result of the implementation.

The useful life on intangible assets were changed which resulted in the restatement of amortisation.

#### Change 1

##### GRAP 20 - Related parties

The adoption of this standard has not had a material impact on the results of the municipality.

The reason for applying the new accounting policy is to provide more disclosure and reliable information.

#### Change 2

##### GRAP 108 - Statutory receivables

The adoption of this standard has not had a material impact on the results of the municipality.

The reason for applying the new accounting policy is to provide more disclosure and reliable information.

#### Change 3

##### GRAP 109: Accounting by principals and agents

The adoption of this standard has not had a material impact on the results of the municipality.

The reason for applying the new accounting policy is to provide more disclosure and reliable information.

#### Change 4

##### GRAP 31 - Intangible assets

The useful life of computer software and servitudes were assessed and found to be indefinite. It is not bound by any expiry period as there is no foreseeable limit to the period over which the asset is expected to be used by the municipality.

The useful life on intangible assets were changed resulted in the restatement of amortisation retrospectively for periods starting on or before 1 July 2018.

### 57. Risk management

#### Financial risk management

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

#### Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

2020 2019

### 57. Risk management (continued)

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 30 June 2020	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 years
Long-term borrowing	8,341,878	35,167,531	28,625,220	-
Payables from exchange transactions	77,506,366	-	-	-
Consumer deposits	-	-	-	12,726,209
Finance lease obligation	1,121,424	882,353	-	-

At 30 June 2019	Less than 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 years
Long-term liabilities	4,595,462	12,500,422	3,343,000	-
Trade and other payables from exchange transactions	70,261,074	-	-	-
Consumer deposits	-	-	-	12,524,220

### Credit risk

Credit risk is the risk that a counter party to a financial or non-financial asset will fail to discharge an obligation and cause the Municipality to incur financial loss.

Credit risk consists mainly of cash deposits, cash equivalents and receivables. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counterparty.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

The credit quality of receivables are further assessed by grouping individual debtors into different categories with similar risk profiles. The categories include the following: Bad Debt, Deceased, Good payers, Slow Payers, Government Departments, Debtors with Arrangements, Indigents, Municipal Workers, Handed over to Attorneys and Untraceable account. These categories are then impaired on a group basis based on the risk profile/credit quality associated with the group.

All services are payable within 30 days from invoice date. Refer to the note on trade and trade payables for all balances outstanding longer than 30 days. These balances represent all debtors at year end which defaulted on their credit terms. Also refer to the note on receivables for exchange and non-change transactions for balances included in receivables that were re-negotiated for the period under review.

No receivables are pledged as security for financial liabilities.

Due to short term nature of trade and other receivables the carrying value disclosed in note of the financial statements is an approximation of its fair value. Interest on overdue balances are included at prime lending rate plus 1% where applicable.

Balances past due not impaired:

Exchange receivables	2020	2020	2019 Restated	2019 Restated
Electricity	10,73%	4,967,167	14,50%	3,354,621
Water	17,72%	8,202,204	24,38%	5,641,034
Waste management	14,09%	6,522,626	19,70%	4,559,142
Waste water management	17,11%	7,918,981	24,56%	5,684,382

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand	2020	2019
<b>57. Risk management (continued)</b>		
Other	40,35% <u>18,676,813</u> <b>46,287,791</b>	18,86% <u>14,459,470</u> <b>33,698,649</b>

The allowance for impairment is allocated between the different classes of receivables as follow:

<b>Non-current receivables</b>	<b>2020</b>	<b>2020</b>	<b>2019 Restated</b>	<b>2019 Restated</b>
Repayment arrangements	100%		-	100%
<b>Receivables from non-exchange transactions</b>	<b>2020</b>	<b>2020</b>	<b>2019 Restated</b>	<b>2019 Restated</b>
Rates and other receivables	100%	22,582,608	100%	18,898,034
<b>Receivables from exchange transactions</b>	<b>2020</b>	<b>2020</b>	<b>2019 Restated</b>	<b>2019 Restated</b>
Electricity	10,30%	2,286,066	15,60%	3,271,775
Water	27,16%	6,027,597	25,51%	5,351,745
Waste management	22,26%	4,940,528	20,24%	4,246,773
Waste water management	28,02%	6,219,922	25,50%	5,348,397
Other	12,27%	2,722,635	13,15%	2,758,972
		<b>22,196,748</b>		<b>20,977,662</b>

Ageing of amounts past due but not impaired are as follow

### Receivables from exchange transactions:

1 month past due	38,354,173	29,606,640
2+ months past due	3,858,467	2,168,102
	<b>42,212,640</b>	<b>31,774,742</b>

### Receivables from non-exchange transactions

1 month past due	3,349,365	2,714,395
2+ months past due	449,339	208,659
	<b>3,798,704</b>	<b>2,923,054</b>

The entity only deposits cash with major banks with high quality credit standing. All investments are made in terms of the MFMA Investment Regulations. No cash and cash equivalents were pledged as security for financial liabilities and no restrictions were placed on the use of any cash and cash equivalents for the period under review. Although the credit risk pertaining to cash and cash equivalents are considered to be low, the maximum exposure are disclosed below.

The banks utilised by the municipality for current and non-current investments are all listed on the JSE. The credit quality of these institutions are evaluated based on their required SENS releases as well as other media report. The risk pertaining to unpaid conditional grants and subsidies are considered to be very low. Amounts are receivable from national and provincial government and there are no expectation of counter party default.

Long-term Receivables and other debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

Financial assets exposed to credit risk at year end are as follows:

Non-current receivables from exchange transactions	219,391	59,603
Non-current receivables from non-exchange transactions	564,800	561,269

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

2020

2019

### 57. Risk management (continued)

Receivables from exchange transactions	97,488,730	75,880,983
Receivables from non-exchange transactions	40,358,550	31,194,704
Cash and cash equivalents	200,962,606	154,693,358
Non-current investments	72,449	118,944
	<b>339,666,526</b>	<b>262,508,861</b>

### Market risk

#### Interest rate risk

As the municipality has significant interest-bearing liabilities, the entity's income and operating cash flows are substantially dependent on changes in market interest rates.

The municipality analyses its potential exposure to interest rate changes on a continuous basis. Different scenarios are simulated which include refinancing, renewal of current positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact that a change in interest rates will have on the surplus/deficit for the year. These scenarios are only simulated for liabilities which constitute the majority of interest bearing liabilities.

The municipality did not hedge against any interest rate risks during the current year.

The potential impact on the entity's surplus/(deficit) for the year due to changes in interest rates were as follow:

	2020	2019 Restated
1% Increase in interest rates (2019: 1,25%)	1,799,814	1,394,793
0,5% Decrease in interest rates (2019: 0,5%)	(899,907)	(697,397)
	<b>899,907</b>	<b>697,396</b>

#### Foreign exchange risk

The municipality does not engage in foreign currency transactions.

The municipality reviews its foreign currency exposure, including commitments on an ongoing basis. The municipality expects its foreign exchange contracts to hedge foreign exchange exposure.

#### Price risk

The municipality is not exposed to price risk.

Post-tax surplus for the year would increase/decrease as a result of gains or losses on equity securities classified as at fair value through surplus or deficit. Other components of equity would increase/decrease as a result of gains or losses on equity securities classified as available-for-sale.

### 58. Going concern

The Langeberg Municipality has, despite the COVID- 19 Lockdown and adopting numerous COVID-19 protocols to avoid the spread of the virus, continued to provide essential services to the various communities in the municipal area.

The municipality has updated its long term financial plan and going concern assessment to consider the expected impact of the worldwide COVID-19 pandemic and consequent possible changes in service delivery performance and the impact of risks and uncertainties outlined in the strategic report tabled in Council.

Considering the uncertainty of how the COVID-19 pandemic will resolve itself and long-term financial plan, the municipality has adopted the following mitigating strategies:

- Monitoring the cash flow on daily basis;

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

2020 2019

### 58. Going concern (continued)

- Reducing expenditure and applying cost containment measures;
- Reducing the capital investment programme annually for the next three financial years funded by capital grants only;
- Avoiding granting rate payers and customers relief measures. Where relief is granted, it will be in the form of delayed payments and no debt forgiveness will be considered;
- Prioritise decisions and actions that will support and strengthen the collection rate;
- Review the COVID-19 impact assessment as at 30 June 2020; and
- Amend the 2020/21 budget by freezing Employee Related Expenses:

Based on the long-term liquidity forecasts and projections, management believe that there is a reasonable basis to conclude that the municipality will be able to continue with its service delivery operations and to meet its financial commitments in the medium and long term.

The municipality also obtains significant amounts of government grants annually to finance operating and capital expenditure.

Accordingly, it is appropriate for the municipality to adopt the going concern basis.

### 59. Events after the reporting date

#### 2020

The Minister of Finance promulgated exceptions to Sections 126, 127, 129 and 133 of the MFMA per Government Gazette No 43582 on 5 August 2020.

The Langeberg Municipality has, despite the COVID 19 Lockdown and adopting numerous COVID-19 protocols to avoid the spread of the virus, continued to provide essential services to the various communities in the municipal area.

#### 2019

The municipality entered into a loan agreement with Standard Bank during the financial year. The first draw-down on the loan facility of R7,912,430 was due to be received on 30 June 2019, should all conditions of the loan agreement be met. The conditions of the loan agreement were only met after 30 June 2019.

After year end the municipality received correspondence from the Director in the Department of Environmental Affairs and Development Planning regarding the licence for the operation and decommissioning of the Ashton waste disposal facility. No decisions have been made by the municipality as of yet.

On 12 August 2019 the municipality became aware of possible fraudulent activities at one of its cashier points. The matter is currently under investigation and the matter has been reported to SAPS. The preliminary amount is estimated at R35,724.62.

On 04 November 2019 the Fidelity Cash Solutions vehicle transporting cash of the municipality, was engaged in a robbery at approximately 18h05 near Caledon. The amount of cash belonging to the municipality that was robbed was R 100,892.50.

### 60. Unauthorised expenditure

Opening balance as previously reported	10,055,780	6,462,562
<b>Opening balance as restated</b>	<b>10,055,780</b>	<b>6,462,562</b>
Unauthorised expenditure - current year - operational	21,834,244	10,055,780
Approved by Council or written off	-	(6,462,562)
<b>Closing balance</b>	<b>31,890,024</b>	<b>10,055,780</b>

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

2020 2019

### 60. Unauthorised expenditure (continued)

Unauthorised expenditure can be summarised as follow:

Incident	Disciplinary steps/criminal proceedings	2020	2019 Restated
Over-expenditure of operating budget on corporate services - 2019	None	8,586,301	8,445,384
Over-expenditure of operating budget on engineering services - 2019	None	13,247,943	1,610,395
		<b>21,834,244</b>	<b>10,055,779</b>

The over expenditure incurred by the Corporate Services department on their operating budgets during the year is attributable to the following non-cash items:

- Bad Debts written off on traffic Fines
- Contribution to allowance for impairment on traffic fines
- Depreciation

The over expenditure incurred by the Engineering Services department on their operating budgets during the year is attributable to the following cash items:

- Bulk purchases

### 61. Fruitless and wasteful expenditure

Opening balance as previously reported	61,852	15,115
<b>Opening balance as restated</b>	<b>61,852</b>	<b>15,115</b>
Fruitless and wasteful expenditure - current year	69,006	99,820
Transfer to receivables for recovery - not written off	(56,092)	(53,083)
<b>Closing balance</b>	<b>74,766</b>	<b>61,852</b>

### 62. Irregular expenditure

Opening balance as previously reported	11,282,823	836,508
<b>Opening balance as restated</b>	<b>11,282,823</b>	<b>836,508</b>
Irregular expenditure - current year	-	6,316,236
Irregular expenditure identified in current year relating to previous years	-	4,966,587
Write-offs supported by Council	(11,247,099)	(836,508)
Irregular expenditure recovered	(35,724)	-
<b>Closing balance</b>	<b>-</b>	<b>11,282,823</b>

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

2020

2019

### 63. In-kind donations and assistance

The municipality received health and hygiene resource material from the Department of Water and Sanitation, as part of the DWS's response to the COVID 19 outbreak.

The donations include the following:

- 266 Sanitisers (1l)
- 84 Sanitisers (500ml)
- 104 Bars of soap (175g)
- 8 Disposable masks, light blue
- 28 Household gloves
- 2 200 Rubber latex gloves
- 23 Disposable protective clothing (Suits)

Organisation	Contribution towards
Rheenen Municipality - Germany	Reimbursement of travelling cost

### 64. Private public partnership

Langeberg Municipality has not entered into any private public partnerships during the financial year.

### 65. Additional disclosure in terms of Municipal Finance Management Act

#### Contributions to organised local government

Current year subscription / fee	2,077,337	2,039,742
Amount paid - current year	(2,077,337)	(2,039,742)
	-	-

#### B-BBEE Performance

Information on compliance with the B-BBEE Act is included in chapter 1 of the annual report under the section titled B-BBEE compliance performance information.

#### Audit fees

Current year fee - external audit	4,866,891	5,131,878
Current year fee - audit committee	121,963	164,331
Amount paid - current year	(4,988,854)	(5,296,209)
	-	-

#### PAYE and UIF

Current year payroll deductions	(26,339,207)	(24,705,948)
Amount paid - current year	26,323,391	24,705,948
	(15,816)	-

The previous years' PAYE and UIF - MFMA 125 (1)(c) disclosure was incorrectly stated as R21,523,084. This has now been corrected, and has no financial impact.

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

2020

2019

### 65. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### Pension and medical aid deductions

Current year payroll deductions and Council Contributions	(27,942,119)	(25,694,430)
Amount paid - current year	27,942,119	25,694,430
	-	-

The previous years' Pension and Medical Aid Deductions - MFMA 125 (1)(c) disclosure was incorrectly stated as R23,762,070. This has now been corrected, and has no financial impact.

#### VAT

VAT receivable	1,518,864	1,470,581
----------------	-----------	-----------

VAT output payables and VAT input receivables are shown in notes in the Annual Financial Statements.

All VAT returns have been submitted by the due date throughout the year.

#### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2020:

30 June 2020	Outstanding less than 90 days	Outstanding more than 90 days	Total	
			R	R
Cllr AP Hess	20	-		20
Cllr J Kriel	306	-		306
Cllr SW Strauss	8,682	-		8,682
	<b>9,008</b>	<b>-</b>		<b>9,008</b>

#### Supply chain management regulations

Other non-compliance (MFMA 125(2)(e)):

- No non-compliance transactions were identified in terms of supply chain management regulations 44.
- No other non-compliance transactions were identified.

Regulation 45 - details of awards made to close family members of persons in service of State:

Name	Employer and capacity of Line person in service of the state	Line number	Name of person in the service	Relationship to person in the service	Member of company of the state	Value of transactions with person in the service of the state
Advocate Etienne Vermaak	Pharmacist- Karl Bremmer Hospital	12	JMC	Spouse	Owner	-
Annandale Motors BK Bar Vallei Herstell & Ing. Werke	PA - Langeberg Municipality Teacher - Bonnievale High School	1	E Wagner G van Loggerenberg	Spouse Child	Director Owner	41,866 592,541
Berry Bright	Police officer - SAPS	10	CC Buirman	Spouse	Owner	-
Buirman Blindings	Police officer - SAPS	11	CC Buirman	Child	Owner	-
Capital Security Services	Ward 6 Community Member - Worcester	13	JE Saayman	Spouse	Shareholder	2,487
Ludify	Teacher - WCED	17	T Williams	Mother	Owner	2,243

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand		2020	2019
<b>65. Additional disclosure in terms of Municipal Finance Management Act (continued)</b>			
Lumber & Lawn	Teacher - WCED	8	J van Zyl
Mubesko Africa	Dietician - Northern Cape	3	S Niehaus
Montagu Trekkers	Dept Health		Spouse
Montagu Bande Supa	IT technician - Langeberg	4	J Rossow
Quick	Municipality		Child
Qinisekisa System Solution	WKOD	15	M Stemmet
Rob Auto Electric	Teacher - WCED	5	A Olivier
Robertson Toyota	Director Corporate Services	16	AWJ Everson
Rukeya Jamie T/A Keyn's	Teacher - WCED	6	ZG Father-in-law
Spicy Bites	Fire Fighter	14	Schreader
Stemwet (PTY) LTD T/A	Teacher - WCED	2	MM Jamie
Montagu Bande Supa			Child
Quick			Owner
Van Niekerk & Linde	Teacher - WCED	7	S Rossow
Attorneys			Spouse
			Owner
			103,651
			<b>3,462,193</b>

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the supply chain management policy needs to be approved/condoned by the accounting officer and noted by Council. The expenses incurred as listed hereunder have been condoned.

Regulation 36(2) - Details of deviations approved by the Accounting Officer in terms of Regulation 36(1)(a) and (b)

Period - 2019/2020	Amount	Single supplier	Impossible	Impractical	Emergency
July	97,650	-	-	-	1
August	314,878	3	-	-	4
September	63,273	1	-	-	3
October	294,558	2	-	1	3
November	377,841	1	-	8	4
December	167,672	3	-	2	3
January	119,536	-	-	4	1
February	1,190,038	3	-	5	9
March	283,629	-	-	2	5
May	433,297	-	-	2	33
June	924,585	3	-	3	34
<b>Subtotal</b>	<b>4,266,957</b>	<b>16</b>	<b>-</b>	<b>28</b>	<b>99</b>
	<b>4,266,957</b>	<b>16</b>	<b>-</b>	<b>28</b>	<b>99</b>

Period - 2018/2019	Amount	Single supplier	Impossible	Impractical	Emergency
July	639,789	5	-	3	3
August	950,652	7	-	11	2
September	40,050	-	-	3	1
October	610,434	2	-	4	2
November	205,132	1	-	3	2
December	164,728	5	-	1	-
January	40,607	-	-	2	2
February	632,883	2	-	1	13
March	180,782	3	-	1	-
April	303,763	3	-	2	1
May	865,895	3	-	4	1
June	303,594	-	-	2	-
<b>Subtotal</b>	<b>4,938,309</b>	<b>31</b>	<b>-</b>	<b>37</b>	<b>27</b>

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

2020 2019

### 65. Additional disclosure in terms of Municipal Finance Management Act (continued)

4,938,309	31	-	37	27
-----------	----	---	----	----

### 66. Utilisation of long-term liabilities reconciliation

Long-term liabilities raised	43,846,523	13,840,544
------------------------------	------------	------------

Long-term liabilities have been utilised in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

### 67. Public-Private Partnerships

Council has not entered into any private public partnerships during the financial year.

### 68. Statutory receivables

In accordance with the principles of GRAP 108, statutory receivables of the municipality are classified as follows:

#### Statutory receivables impaired

As of 30 June 2020, total statutory receivables of R 22,921,943 (2019: R 17,592,239) were impaired and provided for.

The amount of the allowance for impairment was R 17,200,580 as of 30 June 2020 (2019: R13,453,938).

#### Reconciliation of statutory receivables

Gross balance statutory receivables	22,921,943	17,592,239
Allowance for impairment	(17,200,580)	(13,453,938)
	<b>5,721,363</b>	<b>4,138,301</b>

#### Reconciliation of allowance for impairment of receivables from non-exchange transactions

Balance at beginning of year	13,453,938	11,438,366
Contribution to impairment allowance	3,746,642	2,015,572
	<b>17,200,580</b>	<b>13,453,938</b>

#### The total amount of this allowance consists of:

Fines	5,699,657	3,698,909
Property rates	10,357,758	8,922,286
Property rates arrangements	1,143,165	832,743
	<b>17,200,580</b>	<b>13,453,938</b>

Statutory receivables ageing:

#### Gross balance

Property rates	15,620,678	12,726,548
Fines	6,158,100	4,032,948
Property rates arrangements	1,143,165	832,743
	<b>22,921,943</b>	<b>17,592,239</b>

#### Allowance for impairment

Property rates	(10,357,758)	(8,922,286)
Fines	(5,699,657)	(3,698,909)
Property rates arrangements	(1,143,165)	(832,743)
	<b>(17,200,580)</b>	<b>(13,453,938)</b>

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

2020

2019

### 68. Statutory receivables (continued)

Property rates	5,262,920	3,804,262
Fines	458,443	334,039
	<b>5,721,363</b>	<b>4,138,301</b>
Interest received	533,076	558,892
<b>Property rates ageing</b>		
Current (0 - 30 days)	3,349,365	2,714,395
31 - 60 days	449,339	208,659
61 - 90 days	290,925	169,085
+90 days	11,531,049	9,634,407
<b>Balance at end of year</b>	<b>15,620,678</b>	<b>12,726,546</b>

#### Statutory receivables arises from the following legislation:

Property Rates - Municipal Property Rates Act (60 of 2014)

Fines - Criminal Procedures Act (51 of 1977)

**No receivables from statutory receivables were pledged as security.**

#### Credit quality of statutory receivables

Consumer debtors are payable within 30 days. This credit period granted is considered to be consistent with the terms used in the public sector, through established practices and legislation. Discounting of non-exchange receivables on initial recognition is not deemed necessary

Statutory receivables with a total outstanding balance of R1,143,165 (2019: R832 743) have arranged to settle their account over a re-negotiated period. The total value has been deferred beyond 12 months after year end and subsequently included as part of non-current receivables.

**There are no statutory receivables which were restricted.**

Property rates are levied on the value of land and improvements, which valuation is performed every 5 years. The last valuation came into effect on 1 July 2014. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions and also to accommodate growth in the rate base due mostly to private development.

Approval in terms of Section 32(2) (b) (ii) of the Municipal Property Rates Act, 2004, (No 6 of 2004) was granted for the extension of the current Valuation Roll of Langeberg Municipality to six (6) financial years. The implementation of the new Valuation Roll of Langeberg Municipality will be 1 July 2021.

Basic rate	2020	2019
Residential	0.0065c/R	0.0060c/R
Commercial, industrial and government	0.0097c/R	0.0089c/R
Public benefit organisations	0.0013c/R	0.0012c/R
Agricultural	0.0013c/R	0.0012c/R

Interest is charged on arrear accounts. The interest rate is approved by Council on an annual basis. Interest is charged at prime rate.

Rates are levied annually and are payable by the 7th of October. Interest is levied at the prime rate on outstanding instalments.

Rebates were granted on land with buildings used solely for dwellings purposes as follows:

Residential:

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

2020 2019

### 68. Statutory receivables (continued)

- In terms of the Rates Policy of the municipality the first R80 000.00 of the market value of a property is exempted from paying rates.
- The first R15 000 on the valuation is exempted in terms section 17(1)(h) of Municipal Property Rates Act, the subsequent R65 000 is a discretionary rebate.

Rebates can be defined as any income that the Municipality is entitled by law to levy, but which has subsequently been forgone by way of rebate or remission.

#### Statutory receivables past due but not impaired

Statutory receivables which are less than 3 months past due are not considered to be impaired.

At 30 June 2020, R 3,349,365 (2019: R 2,923,055) were past due but not impaired.

Statutory receivables were assessed to determine if any were significant as required by GRAP 104.

No debtors were identified to be individually significant for impairment purposes.

Statutory receivables are grouped per valuation category for collective assessment of impairment.

Concentrations of credit risk with respect to receivables from exchange transactions are limited due to the municipality's large number of customers. The municipality's historical experience in collection of statutory receivables is the main factor in considering the assessing of impairment losses. Due to these factors, management believes that no additional risk beyond amounts provided for collection losses is inherent in the municipality's statutory receivables.

#### The ageing of amounts past due but not impaired is as follows:

1 month past due	3,349,365	2,714,395
2+ months past due	449,339	208,659
	<b>3,798,704</b>	<b>2,923,054</b>

### 69. Operating surplus

Operating surplus for the year is stated after accounting for the following:

Gain on sale of property, plant and equipment	423,487	1,420,265
Impairment on property, plant and equipment	4,921,673	71,313
Reversal of impairment on property, plant and equipment	2,407,823	-
Impairment on investment property	208,379	-
Impairment on asset	1	-
Impairment on trade and other receivables	3,262,288	2,834,423
Reversal of impairment on trade and other receivables	39,617	413,455
Impairment of other receivables from non-exchange transactions	4,222,328	433,913
Depreciation on property, plant and equipment	29,321,194	24,582,604
Depreciation on investment property	57,936	56,480
Employee costs	205,970,080	194,035,415

### 70. Taxation

#### Reconciliation of the tax expense

Reconciliation between applicable tax rate and average effective tax rate.

Applicable tax rate	28.00 %	28.00 %
---------------------	---------	---------

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

2020

2019

### 71. Budget differences

#### Material differences between budget and actual amounts

Differences greater than 10% between budget and actual amounts are due to the following reasons:

##### Statement of Financial Position

###### **Assets**

Inventories: Increase in houses not transferred to housing beneficiaries.

Receivables from exchange transactions: Increase in debtors were higher than anticipated due to the COVID pandemic.

Cash and cash equivalents: Underspending of capital and operational expenditure due to the COVID pandemic led to increased available cash resources.

Intangible assets: The change in accounting policy on the useful life of intangible assets increased the carrying value.

###### **Liabilities**

Long term borrowings: The new loan amount taken up was higher than anticipated in the budget.

Employee benefit obligation: Actuarial valuation more than anticipated in the budget due to a change in the parameters used.

Unspent conditional grants: No unspent conditional grants were planned in the budget.

##### Statement of Financial Performance

###### **Revenue**

Sales of goods and rendering of services: Less sales received than envisaged. Due to the lockdown no auction was held

Rental from fixed assets: Less rentals received than anticipated

Interest earned - external investments: Invested more funds than planned to do due to some capital projects not fully spent as per the budget.

Interest earned - exchange transactions: Decrease in debtor payment period led to a decrease in interest earned.

Operational revenue: Less revenue received than envisaged.

Agency services: Due to the lockdown, less vehicle registrations took place than anticipated.

Licences and permits: More licenses and permits issued than planned.

Fines, penalties and forfeits: More fines issued than anticipated.

###### **Expenditure**

Contracted services: The under-expenditure resulted from the halt in operations due to the COVID 19 lockdown.

Inventory consumed: The under-expenditure resulted from the halt in operations due to the COVID 19 lockdown.

Operational costs: The under-expenditure resulted from the halt in operations due to the COVID 19 lockdown.

# Langeberg Local Municipality

(Registration number WC026)

Annual Financial Statements for the year ended 30 June 2020

## Notes to the Annual Financial Statements

Figures in Rand

2020

2019

### 71. Budget differences (continued)

#### Cash Flow Statement

##### *Operating activities*

Sale of goods and services: Less sales received than envisaged. Due to the lockdown no auction was held.

Finance cost: Due to reclassification of interest cost on employee stated benefits to employee related cost.

##### *Investing activities*

Property, plant and equipment: Less capital expenditure than anticipated in budget on government grants.

##### *Financing activities*

Long term borrowings: The new loan amount taken up was higher than anticipated in the budget.

Decrease of consumer deposits: Actual consumer deposits less than anticipated in budget.